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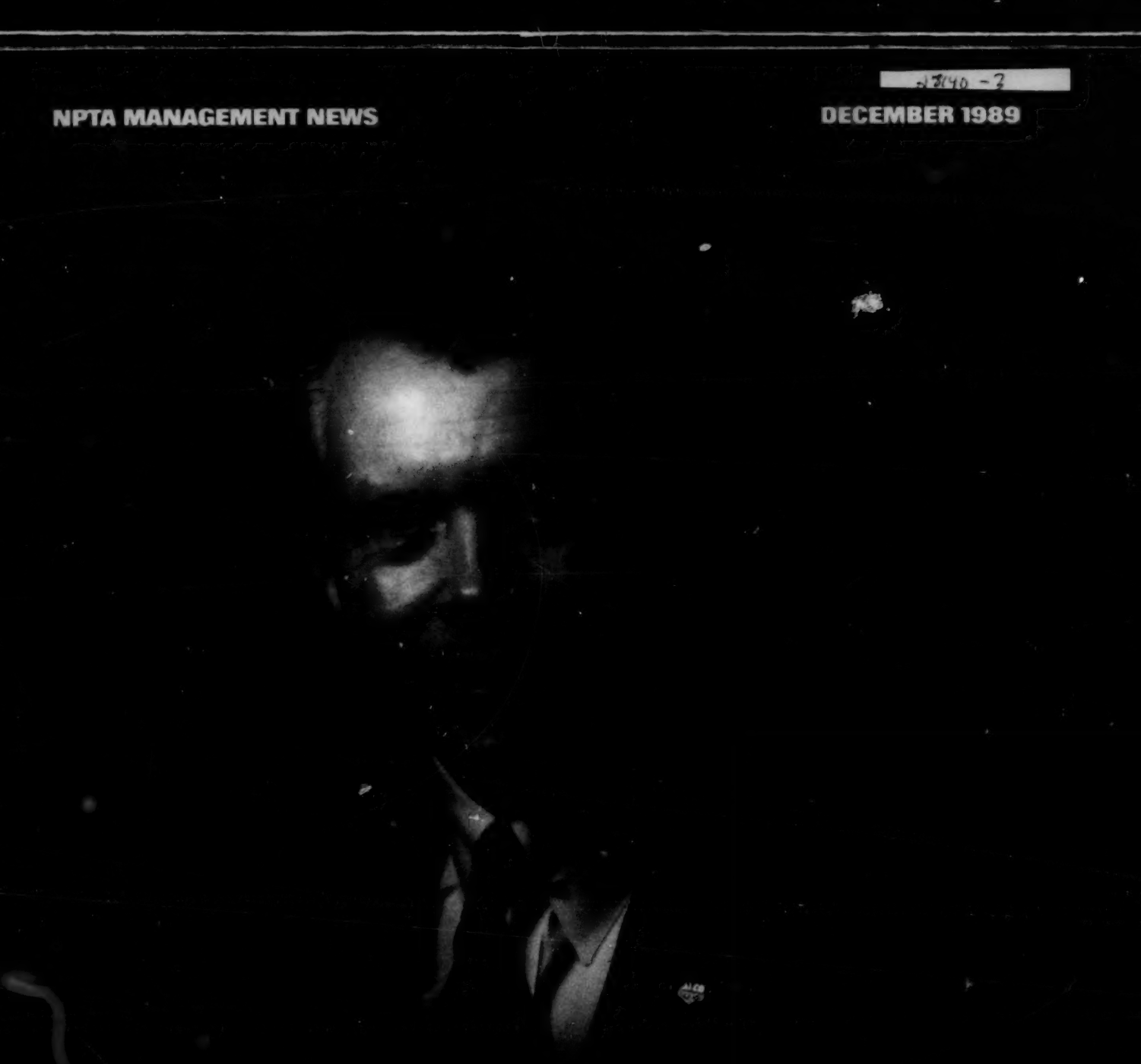

James J. Swearingen

NPTA's New Chairman of the Board

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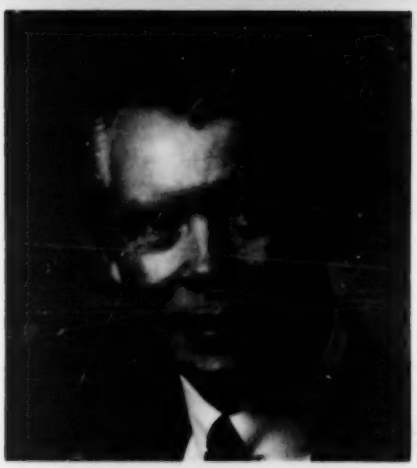

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Merchants Expect 6% Growth for '90

Interest rates and other economic factors count, but according to a new MN survey, distributors say that competitors, customer needs and industrial/printer activity will have the greatest effect on the market.

More than half of the respondents to a new *Management News* reader survey expect their regions to achieve real growth of no more than 6% next year.

What's more, readers rate competitors, customer needs and industrial and printer activity as the factors that will have the greatest influence on the paper and plastics distribution marketplace in 1990.

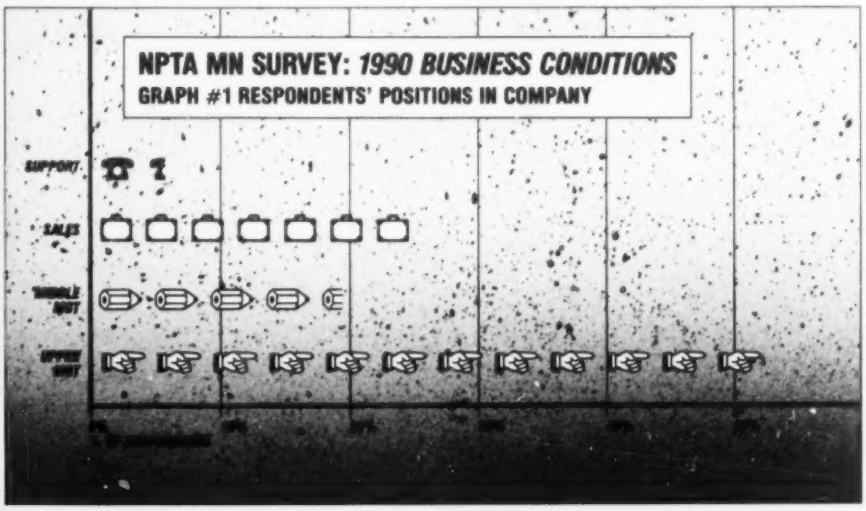
MN's "1990 Business Conditions Confidential Survey" was designed to give a first-hand view of the industry's plans for the year to come. A response card was enclosed in *MN*'s September issue. Readers returned 252 usable responses. Statistical analysis was performed by Healy & Associates, Portsmouth, NH, which reported that the response rate was sufficient to provide meaningful results.

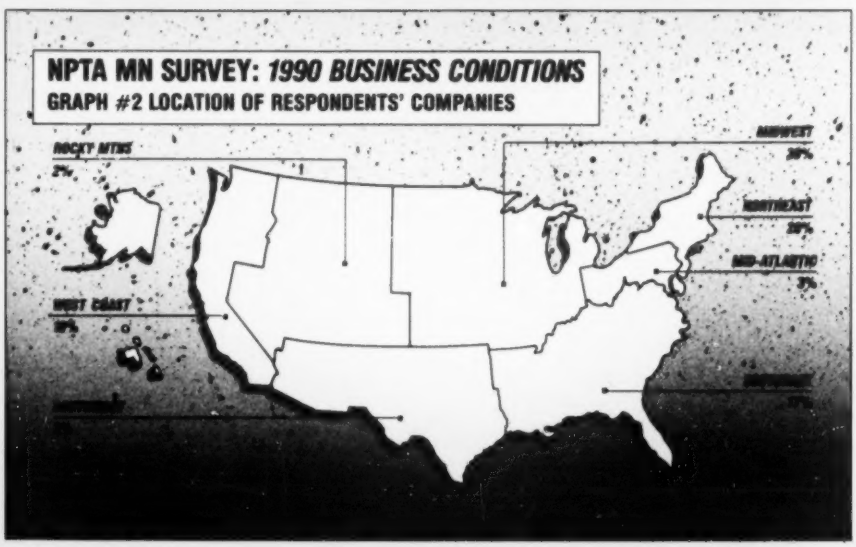
Specifically, 31% of respondents work for printing paper merchant firms, 24% for industrial paper distribution companies, 40% for dual and 5% for "others" (i.e., manufacturers, converters, manufacturers reps).

About three-quarters of respondents hold management positions, with most of the rest in sales. (See Graph 1.)

In terms of company size, about half of those responding work for companies with fewer than 50 employees, about one-third for firms in the 50-100 employee range and the remaining in the over-100 employee category.

Close to 75% of all respondents reside in three parts of the country: Northeast, Midwest and West Coast. (See Graph 2.) This reflects the actual picture of the paper/plastics distribution industry, because the majority of companies, in fact, are concentrated in these areas.





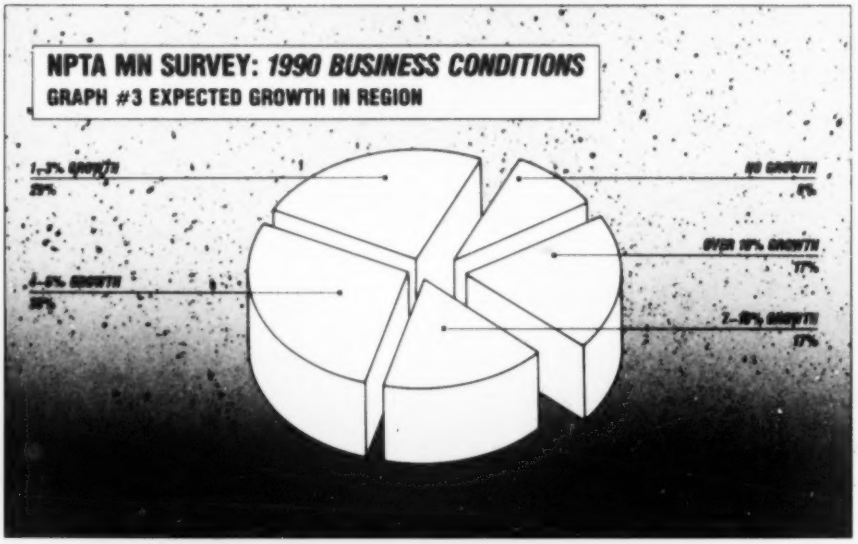
Confident In Their Predictions

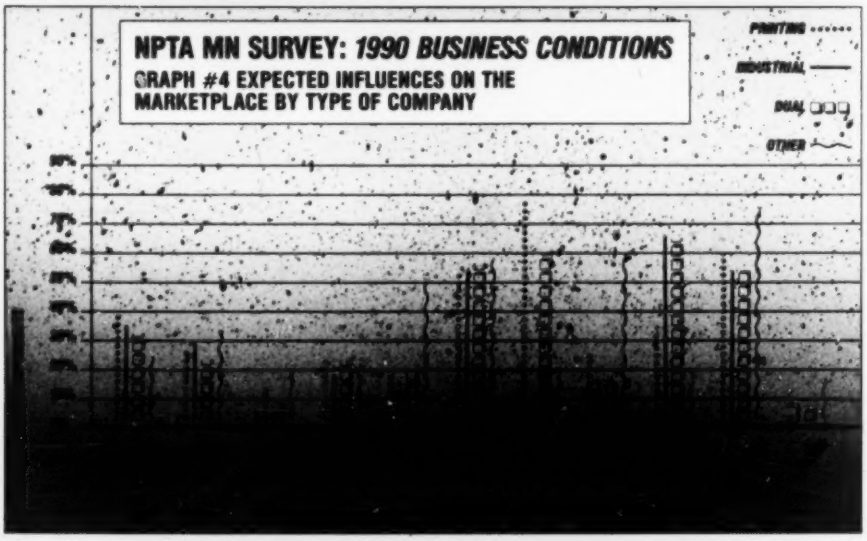
MN's survey asked readers to forecast their region's real growth (taking out inflation) in 1990. The results show merchants fairly divided between the 1-3% and 4-6% growth rate expected for next year—in other words, 59% feel that real growth will be under 6%, the rest over. (See Graph 3.)

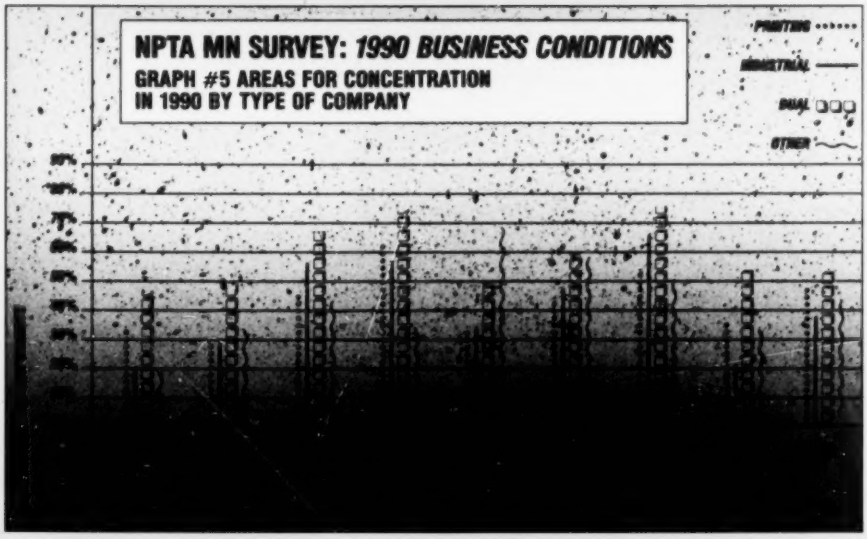
And they are sure. *MN* asked how confident distributors are about these predictions. On a scale of 1-10 (10 being very sure), 81% of all respondents felt sure to very sure about their predictions for 1990. Only about 20% of those surveyed were neutral or unsure about their predictions. On average, the largest firms were the most confident about their forecast.

The results are clear: Distributors are expecting a lower growth year than in 1988 or '89, and they are confident that it will, in fact, occur.

Management's views ran parallel with the averages, but salespeople were some-







what more optimistic. About half of all salespeople responding to the survey felt that real growth will be more than 7% in 1990, a little higher than the average.

Look To The Street

Readers also were asked to reveal what they think are the most influential factors that will affect the paper and plastics distribution marketplace in 1990. In general, all merchants, regardless of company size, maintained that competitors, customer needs, industrial activity and printer activity were far and away the leading indicators. (See Graph 4.) Although some merchants study general economic indicators such as housing starts, interest rates and the strength of the dollar, among others, most look first to the street to predict next year's business scenario.

In the same survey, readers were queried as to what they will concentrate on in 1990 to meet the challenges ahead. The most frequently mentioned areas were budget planning and key account planning. (See Graph 5.)

It's worth mentioning here that a number of readers said they intend to conduct joint planning with suppliers. (This category received the fifth highest score in answer to this question.) The perception that the "partnership" approach is the best way to face the future seems to be growing in importance and taking hold in the industry.

No one wants to get too excited about the future in fear of spoiling their luck. The past few years have shown paper and plastics merchants that solid growth may be achieved in a stable industry. As a matter of fact, wholesale distribution in general and paper distribution specifically have outpaced the economy for the past 10 years.

Things are changing the U.S. economy now. The industry is expected to be softer in 1990, but real growth will probably still outpace the economy at large. Although no one would say that the merchant business is headed for a downturn, cautious optimism will be the watchword for 1990. Merchants are wary because of the effects of a slower-growing economy and yet optimistic about their plans to cope with this situation and ultimately prosper.

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'TA MANAGEMENT NEWS

MARCH 1990

Get Your Slice Of The Retail Packaging Market

Retail Packaging Show Guide

Merchants Face Disposables Confusion

Protecting Your Operation

The Competitive Battles Of The 90s

Merchant Benefits Programs

Special Section:
Paper Distribution Software Comparison Guide

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23 SPECIAL SECTION **MN Comparison of Paper Distribution Software**
The computerization of the industry is a vitally important issue for merchants today. *MN* conducted an exclusive survey of manufacturers of industrial/printing paper distribution software systems. The result is a comprehensive chart comparing the features of each company, as well as space to help plan your own system or system upgrade.

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The paper, plastics and allied products distributor must strive for the highest degree of security in the most cost effective manner. Richard P. Fisher of R. P. Fisher & Co., Inc., Burlington, VT, shows you how to establish your priorities and set up a security and loss prevention system that is right for you.

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Cover Photo: Richard Chesnut

Survey Reveals Merchant Benefit Programs

by Patty Goodwin, Surveys Manager, Mountain States Employers Council of Denver, CO

The results of a new NPTA Personnel Practices Survey underscore the types of programs—health insurance, dental insurance and retirement/investment plans—distributors should have in place in order to attract and retain the best and the brightest talent.

The research also indicates that merchant benefits are comparable to what other types of businesses offer.

"Our study shows that merchants are offering packages that are fairly comprehensive and that they stand in good stead with other companies in other industries," according to John Buckley, president of NPTA.

The NPTA Personnel Practices Survey, sponsored by the Association's Human Resources Committee, was conducted by our firm, Mountain States Employers Council of Denver, a human resource management consulting firm. Personnel research in the paper, plastics and allied products distribution field is an on-going project within NPTA. Preliminary plans are in the works for a non-sales compensation survey to be completed this year.

Wholesalers with $50 million in sales received survey questionnaires and were asked to participate. Twenty-eight companies—48% of the total mailing—responded.

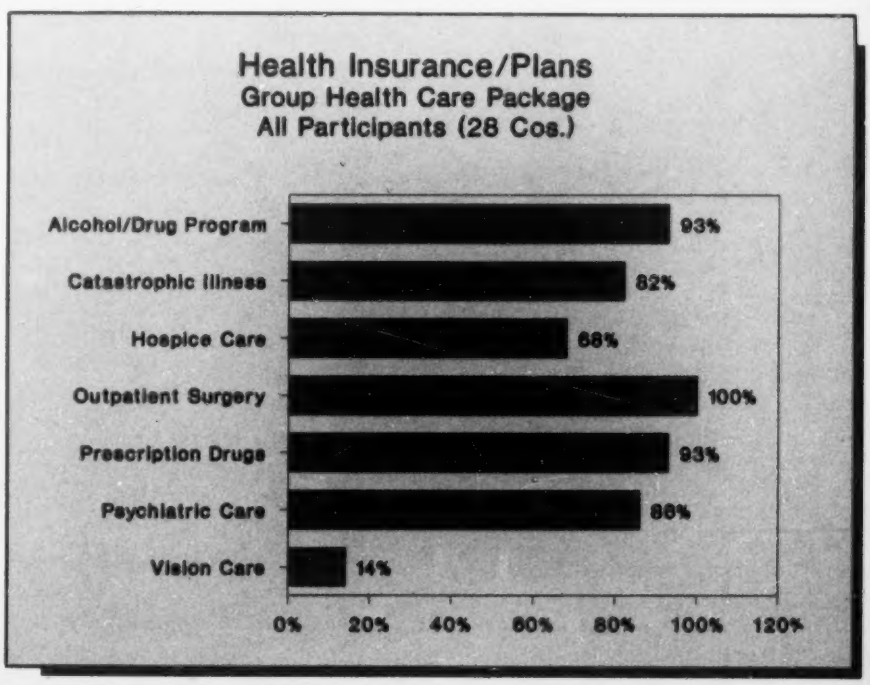
Final data is broken down by company employment size—less than 300 employees (57% of respondents); 300-750 workers (25%); and more than 750 employees (18%).

Self-Insured Plans Are Popular

When asked the type of health insurance offered to their employees, 50% of the participating companies reported that they are self-insured/self-funded; 29% offer a health maintenance organization (HMO) plan; and 39% offer Blue Cross/Blue Shield. Eleven percent of the firms have a full cafeteria/flexible benefit plan. It is interesting to note that 39% of the participants pay 100% for employee coverage and 18% pay 100% for family coverage (employees plus spouse and dependents). There were no companies with more than 750 employees that paid 100% of health coverage.

We also asked participants what type of coverages are in the group health care package. (See graph below.) Every respondent said their plan offers outpatient surgery. Virtually all respondents—93%—offer a plan that covers prescription drugs. The same percentage said their package covered alcohol/drug programs as well.

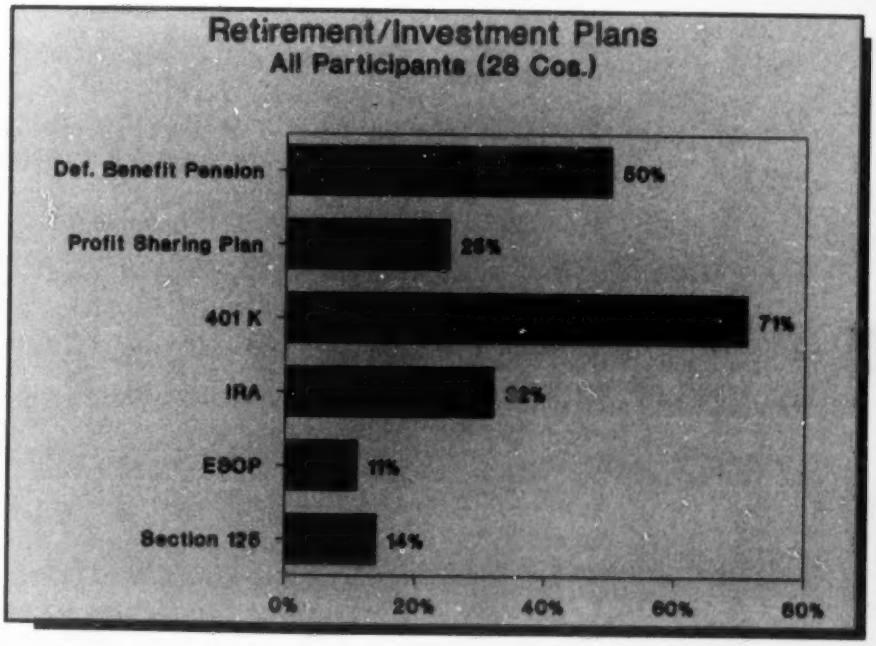
The survey also revealed that a number of merchants are attempting to control health insurance costs using different techniques, depending on the size of the company. For instance, 80% of responding firms with more than 750 employees ask workers to share in the cost of premiums. Close to 50% of firms with less than 300 on staff have plans that request a second surgical opinion. About 45% of these same size firms require pre-authorization, as do about 70% of distributorships with between 300 and 750 workers.



25% Offer No Dental Plan

Not every company surveyed offers dental insurance. Twenty-five percent said they have no dental coverage. Of those who do, 32% are self-insured/self-funded; 25% combine their medical and dental plans; and 18% have a separate basic dental insurance plan. Of the latter category, 40% pay 100% for employee and family coverage.

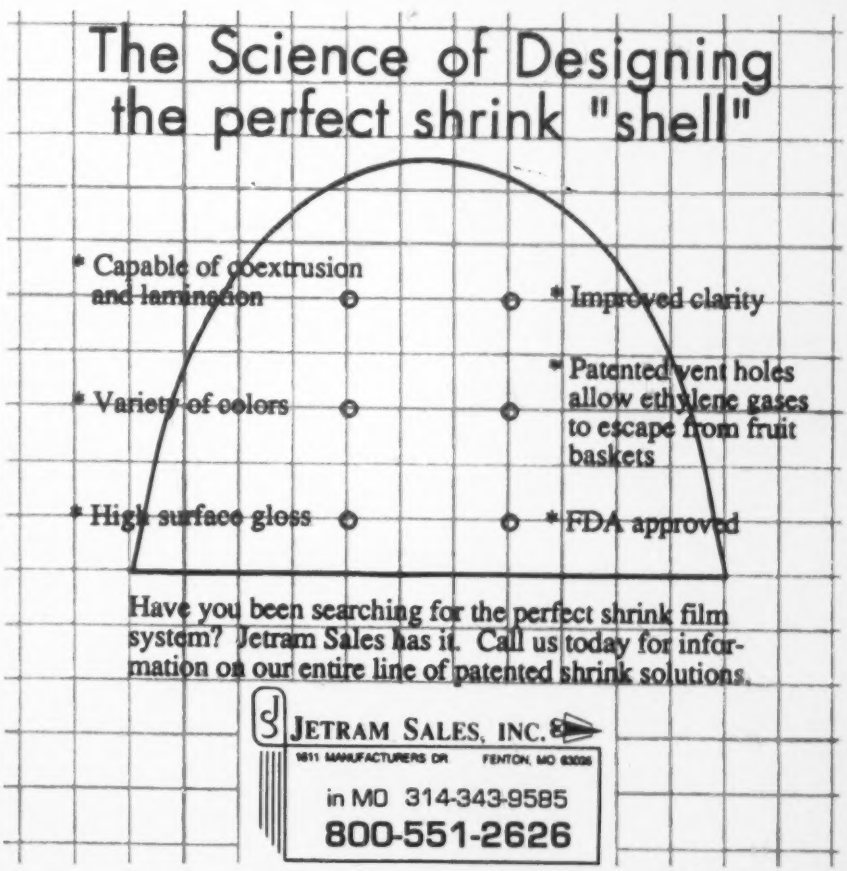
As for retirement/investment plans, 401K salary reduction programs seem to be the most popular—71% of respondents offer these to their employees. (See graph at right.) Defined benefit pensions are available from half of the respondents. Individual retirement accounts (IRAs) are popular with 32% of those answering the survey. And 25% offer a profit sharing plan of some kind.



"401K salary reduction programs seem to be the most popular—71% of employers offer these plans."

The majority of the participants (86%) give two weeks vacation after one year of service. When giving three weeks vacation, however, there is no clear majority—29% give three weeks after 10 years of service; about 25% after eight years; and 18% after seven years. Of those companies giving four weeks vacation (8% do not), 39% give four weeks after 15 years service; 21% after 20 years; and 18% after 16-19 years. Twenty-nine percent of the participating companies give five weeks of vacation.

Mountain States will be the third-party data collector for this year's executive salary survey. If you have suggestions or comments, please contact John Buckley at NPTA, 111 Great Neck Rd., Great Neck, NY 11021; 516-829-3070.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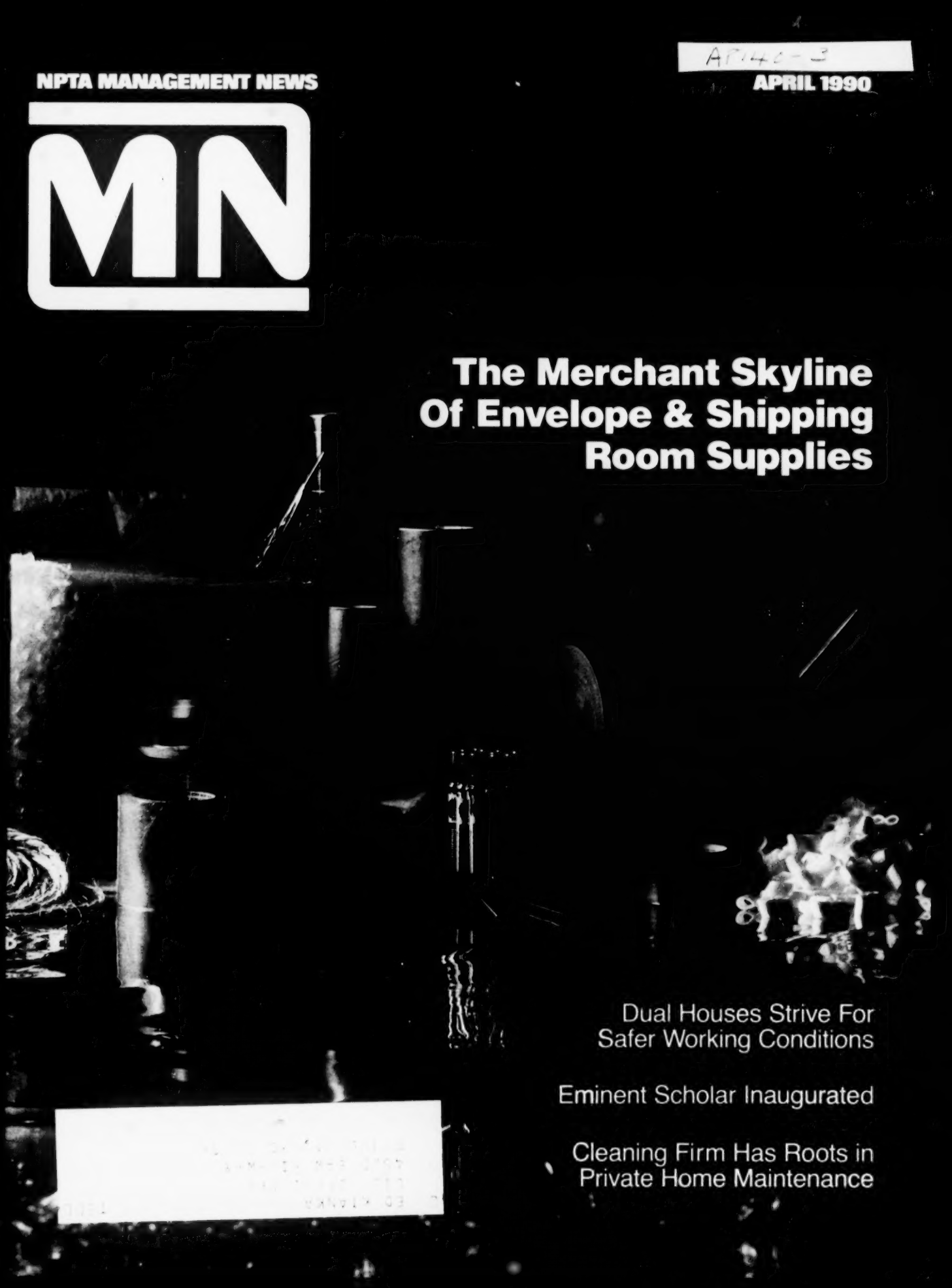
The Merchant Skyline Of Envelope & Shipping Room Supplies



Dual Houses Strive For Safer Working Conditions

Eminent Scholar Inaugurated

Cleaning Firm Has Roots in Private Home Maintenance

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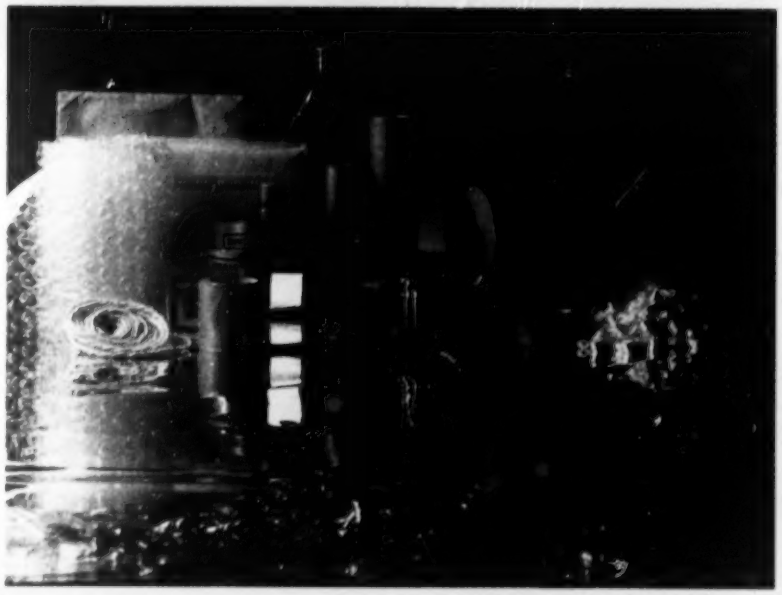

19 **Postage and Service Demands Alter Envelope Buying, Selling Habits**
By Joan Prevete O'Donnell
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26 **Dual Houses Strive for Safer Working Conditions**
Statistics from NPTA's Worker Safety Reporting Program reveal that dual distributors have slashed the number of work-related injuries at their facilities. NPTA's Human Resources Committee urges that all Association members participate in this vital study in the months to come.

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by Joan Prevete O'Donnell
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32 **Eminent Scholar Inaugurated at U. of North Florida**
The Paper Foundation celebrated the installation of its first Eminent Scholar, Dr. Adel I. El-Ansary, at a black-tie gala—and many prominent industry figures were present.

36 **Cleaning Firm has Roots in Private Home Maintenance**
by Joan Prevete O'Donnell
A growing Lake George, NY janitorial services firm expects its merchant to understand its unique market niche.

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Cover Photo: Richard Chesnut

Postage Rise, Service Demands Alter Envelope Selling, Buying Habits

Expect smarter mailing procedures from end-users, new packaging formats from converters.

by Joan Prevete O'Donnell, Staff Writer

The increase in postage rates recently proposed by the U.S. Postal Service more than likely will trigger certain changes in the public's mailing habits and therefore its selection of envelopes and shipping sacks, according to suppliers of these items.

But that's not the only factor affecting how and what envelopes are sold. Because paper merchants consider convenience and quick delivery high priorities, converters are reconfiguring their packaging strategies and creating new programs that focus on timely service and education.

What's more, the advent of electronic mail and facsimile machines has had little impact on postal volume and envelope sales. In fact, in at least one case, the technology has sparked new envelope product introductions.

Last month, the U.S. Postal Service announced it was seeking a rate boost from 25–30 cents for first class mail. The Postal Rate Commission will take 10 months to rule on the proposal, accepting testimony from interested parties during the commission's scheduled hearings. If the request is accepted, the rate will go into effect in February 1991.

Regardless of what next year's rate will be, mail in all forms continues as ever. Last year, the Postal Service handled 85.8 billion pieces of first class mail; 10.5 billion pieces of second class items; and 62.7 billion pieces of third class mail (including bulk rate and the various categories of presorted items).

Furthermore, the government agency promises speedier service when it moves to fully automated processing via bar coding by 1995. As it stands now, 40% of first class mail already is handled in this manner.

Envelope Sales On Upward Curve

Envelopes have shown strong growth during the past decade. In 1980 annual sales were valued at $1.56 billion; '89 estimates for shipments were $2.73 billion, according to the Envelope Manufacturers Association of America. (See box, page 00.)

Nevertheless, some envelope converters maintain that the public may adjust its mailing practices to offset the expected rate jump. According to Joe Zoshak, marketing manager for American Fiber-Velope Manufacturing, Collingdale, PA, businesses and individuals will "mail smarter. People will start consolidating their mail. Instead of mailing every day, you'll see them sending every second or third day." Envelopes made of Tyvek, such as those produced by American Fiber-Velope, or other lightweight material may be the big winners here, he said, because they can hold the increased weight.

End-users may also consider buying a cheaper, lighter envelope to cut expenses, observed other suppliers. White wove or less expensive felt may become the material of choice for cost-conscious customers.

Still others liken the impending postal rate rise to the price hikes of other commodity items and services over the past two decades. "I don't see any detrimental effect," said Alan Castle, president of PolyAir, Toronto, referring to the impact on envelope sales. "It's like the increase in gasoline prices. Everyone reacts [unfavorably] to the increase initially. But then 1 everyone goes back to using the product."

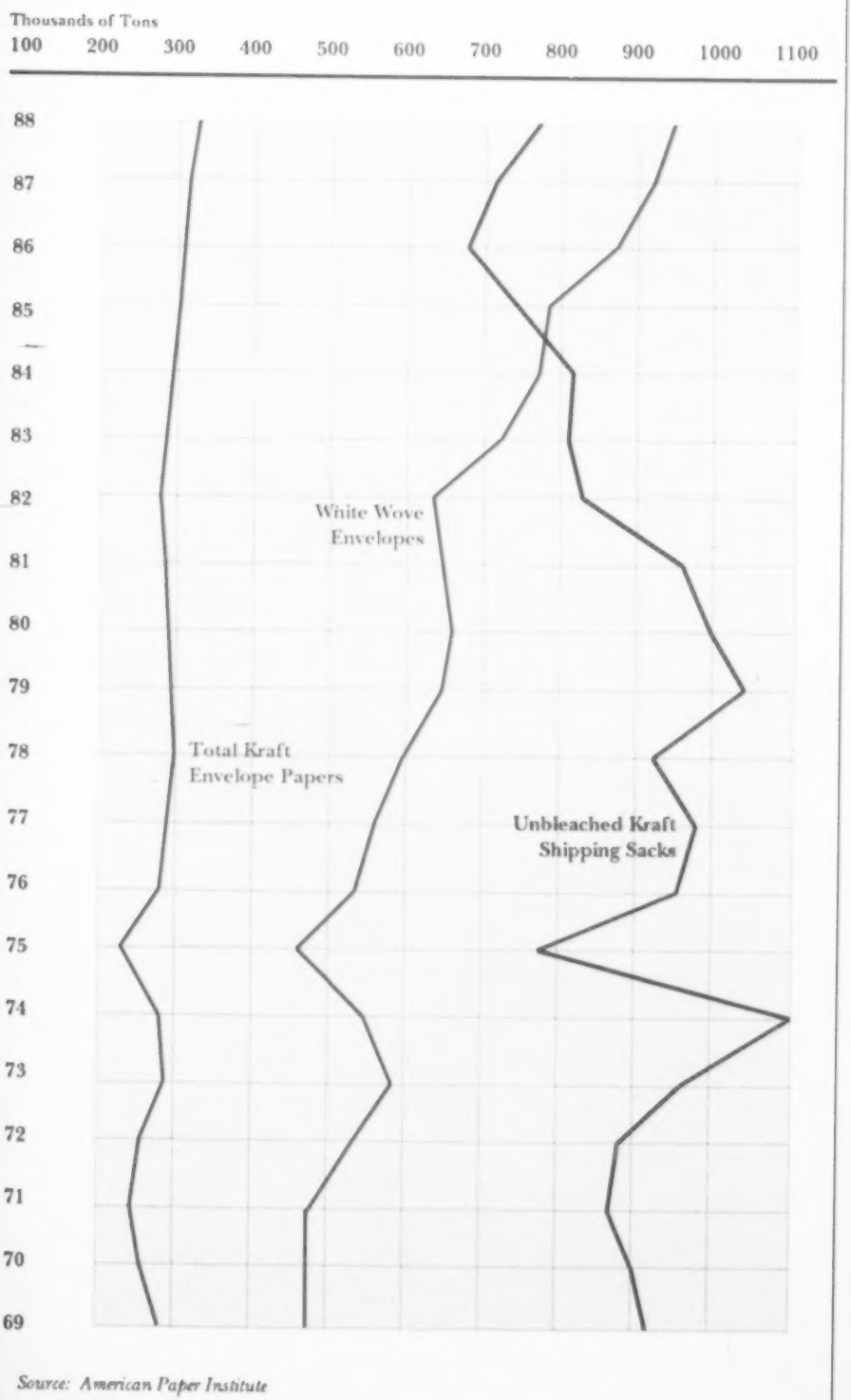
New Packaging Concepts

In keeping with their emphasis on service, converters are rethinking their ideas about packaging to please space-conscious merchants. Leader Cards, for instance, is packing its announcement-size envelopes in cartons of 1,000, instead of the routine 2,500 that were loaded in the past. Even shipping sacks that are stuffed 250 per box, such as PolyAir bubble-filled bags, can be shrink-wrapped in bundles of 25 and 50 for easier selling and storage.

"For distributors, it comes down to who's the most convenient supplier," said Rick Zaffiro, marketing manager for Leader Cards, Milwaukee.

Envelope & Shipping Sacks: Shipments

20 Year Trend



Source: American Paper Institute

This smaller packaging trend will continue, converters noted, in order to support a new breed of customer—cash-and-carry stores, so called mega-stationery stores such as Staples, catalog outfits and quick print shops. These outlets have obtained popularity with small businesses and they in turn have gained access to cheap desk top printers and personal computers. "Retailers simply don't have the warehouse space to carry boxes of 2,500 envelopes," noted Zaffiro.

As a result, fast turnaround has become critical. "Today, it's up to us to stock and deliver quickly," said Fiorella Ogiba, advertising/sales promotion manager for Old Colony Envelope Co., Westfield, MA. "Many of the orders that are placed must be shipped the same day."

To maintain customer satisfaction, Old Colony has implmented a program called Special Overnight Service—SOS. For a nominal charge, a merchant or the merchant's customer that places an order in the afternoon can receive the merchandise by 10:30 a.m. the next day. Shipment is handled via Federal Express, through a special arrangement. A special computer linkage to Federal Express, installed at Old Colony, provides complete tracking of S.O.S. orders throughout the Federal Express system.

Converters also are helping to educate merchants through training sessions and other efforts. Leader Cards, for example, holds sales meetings with its merchant partners and offers promotion pieces that explain the importance of envelope sales to both distributors and end-users. "An envelope is a value-added product," explained Zaffiro. "It comes down to the image the end-user wants to portray. If he or she has a proprietary grade sheet but uses a generic white wove envelope," the effect is lost.

The burgeoning use of technology has had little impact on envelope sales, according to suppliers. In fact, some believe that the fax has caused somewhat of an information glut. One of the reasons for this, some observers maintain, is that office workers, in their effort to confirm data sent in this relatively new electronic format, use paper and envelope to duplicate the same message through the mail.

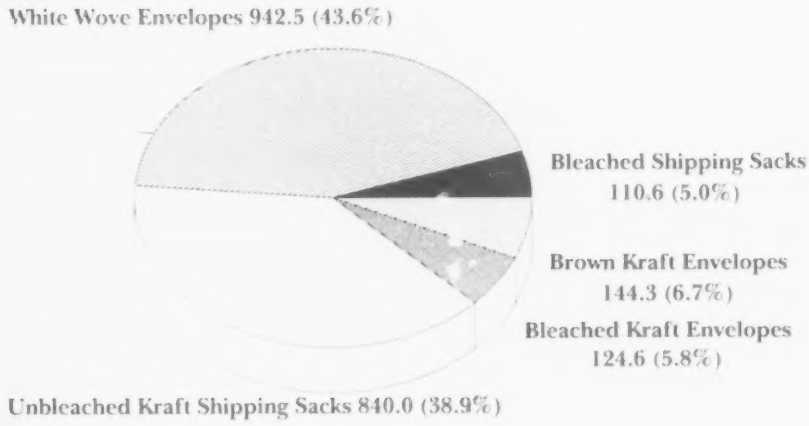
However, at least one envelope product has emerged as a result of the fax

machine's popularity. American Fiber-Velope has developed a fax message routing envelope. According to Zoshak, the envelope is used to send the electronically-received message to the recipient, protecting confidentiality and cutting unproductive waiting time near the machine. As Zoshak put it: "When life hands you lemons, you make lemonade."

Technology in the form of laser printers has had an impact on envelopes, at least in terms of product development.

Shipments: Envelope & Shipping Sacks - 1988

Thousands of Tons


White Wove Envelopes 942.5 (43.6%)
Bleached Shipping Sacks 110.6 (5.0%)
Brown Kraft Envelopes 144.3 (6.7%)
Bleached Kraft Envelopes 124.6 (5.8%)
Unbleached Kraft Shipping Sacks 840.0 (38.9%)

Source: American Paper Institute

About EMAA

The Envelope Manufacturers Association of America (EMAA), Alexandria, VA, is a 57-year-old association representing the interests of the U.S. commercial envelope industry.

Association membership includes 81 Regular (envelope manufacturing) members accounting for approximately 65% of the U.S. envelope market, and 50 Associate members who are suppliers of materials and services to the industry. Recently, the Association added a new membership category, Foreign Affiliate, thereby recognizing the global market and the need to keep in contact with envelope manufacturers on other continents. A firm in Australia has become EMAA's first foreign affiliate.

EMAA offers a variety of services and products such as liaison with the U.S. Postal Service, statistics about the industry, interaction among all membership categories, training courses and videotapes for production personnel and semi-annual meetings for educational and networking opportunities.

For more information concerning EMAA, call 703-739-2200.

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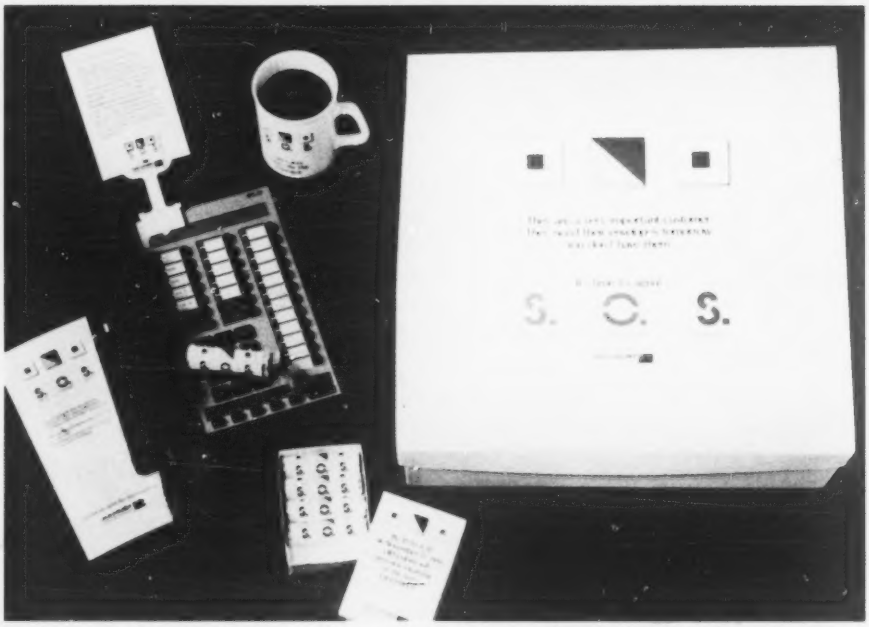

To keep up with the challenge of increasing customer demands, Old Colony Envelope has instituted the Special Overnight Service (SOS) program—where, for a small charge, merchants can receive overnight service with their orders.

Envelopes Flourish In the Face of Competitive, Postage Rate Obstacles

by Sue Kalish, Manager, Industry Research Programs, Envelope Manufacturers Association of America

The 1980s was a growth decade for the envelope industry, despite the increased use of electronic mail machines, consumer resistance to third-class direct mail advertising and high domestic postal and shipping rates.

In 1980, annual envelope sales were valued at $1.56 billion, while in 1989 estimates for shipments were $2.73 billion. (The 1989 estimate for envelopes shipped from manufacturers was 161 billion units.) During the 1980s, the industry experienced only two "slow" periods of growth: 1982, due to the U.S. economic recession, and 1989, in conjunction with the sluggishness of the economy and the result of the postal rate increase which took effect in April 1988.

The U.S. envelope industry is a mature one, originating in the early 1800s with the first envelopes handmade with a pocket knife or shoemaker's knife and sold by stationery stores. Today, in order to keep competitive both within the industry itself and with other types of mailable formats and communication methods, the industry must meet the competitive challenge by exhibiting creativity in design and utility, producing excellent graphics, and offering a selection of paper stocks (such as lower weight stock for lower postal costs, coated stock and colors) and synthetic base materials.

During the 1990s the industry will continue to work closely with the U.S. Postal Service to:

- Ensure that envelope manufacturers and their mailing customers are heard as new postal rates and regulations are proposed;
- Support the introduction of automated sorting equipment, which enables faster mail delivery; and
- See that third class mail receives the consideration it deserves as an important advertising medium, since direct mail advertisement was the strongest growth segment of the envelope industry during the past decade.

More often than not, the heat generated from these machines seals the envelopes shut as they pass through. Envelope converters and gum suppliers are putting their heads together to alleviate the problem, and some strides already have been made, they added. Furthermore, printer manufacturers are working to reduce the heat's intensity while still maintaining product quality.

Moveover, laser and impact printers are creating a demand for smoother paper, according to converters. Wovens always have been compatible with this office equipment due to its flat finish. However, laids, long a problem in lasers due to its texture, have been improved for machine use, said Zaffiro, and will give wovens a run for their money.

Envelope sizes will remain fairly constant. In fact, to help manage inventory levels and improve delivery time, many sizes are being "weeded out," said Zaffiro. Years ago baronials came in 30 sizes, he recalled. Stocking all of these was next to impossible, creating back-orders and unacceptable waiting periods. Fewer sizes, therefore, means there's a greater chance the supplier will have it in-house, triggering faster delivery for the merchant.

Envelopes for business correspondence and announcements will remain white or light pastels. (The U.S. Postal Service has strict regulations prohibiting dark colored envelopes, which obscure the bar code ink sprayed on mail pieces during processing.) Ogiba from Old Colony predicted a demand for "very bright white, with a 96 or 98 brightness." As for shipping sacks, American Fiber-Velope plans to launch a line of Tyvek mailers tinted in grey and blue, according to Zoshak.

And converters are always seeking out new product ideas. American Fiber-Velope has a new diskette mailer in the works, said the marketing manager. Made of Tyvek material, the envelope includes a pouch inside for hard copy that separates and thereby protects the sensitive computer file.

Whatever the outcome of the postal rate increase proposal, envelope converters will continue to seek their own market niches and create new opportunities.

Dual Houses Strive for Safer Working Conditions

Statistics from NPTA's Worker Safety Reporting Program reveal that dual distributors have slashed the number of work-related injuries at their shops.

Dual merchants seem to be making strides in improving working conditions, according to statistics from a new study by NPTA.

Over the first six months of 1989, dual distributors recorded 6.1 illnesses or injuries per 100 employees. This contrasts with 11.5 illnesses or injuries per 100 workers tracked during 1988.

TABLE I
Number of Firms Participationg

	All 1988	Jan–June 1989
Printing	23	27
Industrial	33	54
Dual	43	40
TOTAL	99	121

Printing paper merchants apparently are striving to make the workplace safer as well. From January to June of '89, printing paper merchants reported 9.4 illnesses or injuries per 100 workers. In 1988, these types of firms recorded 11.4 illnesses or injuries per 100 employees.

Industrial paper merchants, meanwhile, haven't fared nearly as well. This industry segment surpassed its 1988 illness/injury total during the first six months of 1989. Through January to June 1988 industrial distributors recorded 14.4 illnesses or injuries per 100 employees. This same group reported 12.2 illnesses or injuries per 100 employees in all of 1988.

Study Based on OSHA Reports

NPTA's Worker Safety Reporting Program is based on the tabulations of the OSHA (Occupational Safety and Health Administration) LOG200 reports for six-month periods. The association's Human Resources Committee began this work in 1988, gathering data for that period. Starting last year, information was collected on a six-month interval basis. The latest report is based on information from the first half of 1989. Data collection sheets already have been mailed to record the information for the latter half of '89.

TABLE II
Number of employees represented

Printing	1,643	3,269
Industrial	3,326	4,080
Dual	8,589	11,676
TOTAL	13,558	19,025

TABLE III
Number of illness or injuries per 100 employees

Printing	11.4	9.4
Industrial	12.2	14.4
Dual	11.5	6.1
TOTAL	11.7	10.8

The number of firms participating in the data collection has grown by 23%. The information provided in this article is based on the returns of 121 companies, covering 19,025 employees. The number of workers represented by the report has increased by 40.3%.

TABLE IV
Incidence of injuries per 100 employees resulting in time away from work or restricted duty.

	January–June 1989*
Printing	5.7
Industrial	8.4
Dual	5.7
TOTAL	6.3

*comparable data not collected for 1988.

Injuries involving days away from work or restricted duty are the most significant component of the worker safety issues, according to human resource experts. Table IV indicates that for every 100 full time employees 6.3 of them had injuries that resulted in time away from work or restricted duties at work. Printing and dual merchants had the same low incidence rate of 5.7 per 100 employees. But industrial paper distributors

were once again high with 8.4 employees per 100.

When injuries resulting in days away from the office (Table V) are separated from days away and restricted duty (Table IV), we see that days away are a much more significant part of worker injuries.

Illnesses resulting in lost time or restricted duty are much less of a problem for paper merchants than injuries. Statistics show that for all types of merchants fewer than 1 employee per 100 have illness-related problems.

TABLE V

Incidence of injuries per 100 employees resulting in time away from work only.

	January–June 1989*
Printing	5.4
Industrial	6.6
Dual	5.5
TOTAL	5.7

*comparable data not collected for 1988.

Work in Three Phases

The Human Resources Committee's purpose in collecting this data is based on three phases:

- Phase I is to develop a base line of information on the levels of worker safety in the paper and plastics distribution industry;
- Phase II is to develop programs to reduce the levels of injuries and illnesses in the workplace; and
- Phase III is to present the data and evidence of improvement to member insurance companies for reduction of casualty, liability and worker compensation insurance.

TABLE VI

Incidence of illnesses for 100 employees resulting in time away from work or restricted duty.

Printing	.8
Industrial	.7
Dual	.3
TOTAL	.5

comparable data not collected for 1988.

Because the benefits would be industry wide, the Human Resources Committee urges that every member submit data to develop a broad information base. Every member firm must keep records on accidents and injuries via OSHA LOG200, according to federal law. The OSHA LOG200 is also the basis for the association's Worker Safety Reporting Program. If you are not keeping an OSHA LOG200 and want to know more about it, contact your local OSHA office or call John Buckley, NPTA president, at association headquarters—516-829-3070.

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Recycling of Foodservice Disposables: Manufacturers and distributors are seeing everyone get into the act.

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But fast food chains and in-plant feeders, pressed by outside forces, are searching for alternative products and solid waste management measures. Manufacturers are responding to the challenge by studying trash management alternatives and assisting in the development of those that are most desirable.

22 **NRA Show Expands For 1990**
Representing more than 150,000 foodservice outlets nationwide, the National Restaurant Association will host its 71st Annual Restaurant, Hotel-Motel Show, May 19–23, at Chicago's McCormick Place.

24 **Have You Reviewed Your Customer's Financial Statements Lately?**
by William J. Leonard
Competition in the graphic arts industry is fierce, and equipment overcapacity has exerted pressure on customers' gross and net profit margins. As a result, many commercial printers have filed bankruptcy. This is a time when distributors must stay close to their customers, advocates this merchant, not just in a sales and marketing sense but also in a "financial" sense.

34 **Base Security Paper Pitch on Application**
by Joan Prevete O'Donnell
Technological advances have sparked a need to control confidential information. Safety paper can help put some corporate fears to rest. But merchants must take a more sophisticated approach to successfully market these papers.

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Cover Photo: Ben Asen

NPTA Launches SWAN Network

Because the paper merchant's need for information on solid waste management continues to grow, the National Paper Trade Association, inc., has created the Solid Waste Action Network (SWAN). The NPTA has developed a program that keeps members informed of legislation, new developments and trends in solid waste management, recycling, new products and ways the industry is coping with changes in the marketplace.

"The solid waste issue is affecting every aspect of the paper and plastics distributor's business," said John J. Buckley, NPTA president. "With the complexity of the issues surrounding solid waste and recycling growing, it is becoming more and more difficult for the paper and plastics distributor to track the changes," he said.

"If merchants do not stay current, armed with the latest information, they will lose their competitive advantage in the marketplace," Buckley said.

Those individuals who represent their companies as members of the Solid Waste Action Network have the following responsibilities:

1. To act as the contact person for his or her company for solid waste management issues.

2. To decide which information sent to the company would be used in company programs for employees and customer education.

3. To be willing to work with local task forces made up of interested parties. Letter writing, telephone calling, personal visits and public testimony may be needed.

4. To keep NPTA informed of developments in his or her area so special lobbying help may be directed.

5. To let NPTA know what his or her company is doing to be a responsible part of the solution to this very real problem. Tell NPTA what company programs are being developed.

If your company name is not on the Solid Waste Action Network (SWAN) list, sign up today. Send your name to NPTA headquarters, as the Association needs a high level of industry response to this important area of concern. "Be a participant. Be part of the solution," concluded Buckley.

Thus far, 113 company locations have joined with NPTA to keep up with these rapidly changing issues. The program is available at no charge to all members, Buckley said.

The SWAN Network

(as of 4/1/90)

Acme Paper & Supply Co.
Savage MD

Allied Paper Co.
Tacoma WA

Alling and Cory
Buffalo NY

Alling and Cory
Cleveland OH

Atlantic Paper & Twine Co.
Pawtucket RI

Bond Queen City
Elmira NY

Bradner Smith & Co.
Brookfield WI

Broward Paper & Packaging
Ft. Lauderdale FL

Bunzl Packaging Consultants
Worth IL

Bunzl Packaging Materials
Plymouth MN

Butler Dearden Paper Service
Worchester MA

Butler Paper Co., Inc.
Englewood CO

Butler Paper Co., Inc.
Franklin MA

Butler Paper Co., Inc.
Menomonee Falls WI

Camelot Distributing Co.
Atlanta GA

Canover Industries, Inc.
Maspeth NY

Cardinal Paper Co., Inc.
Oklahoma City OK

Carr Paper Co., Inc.
Pomona CA

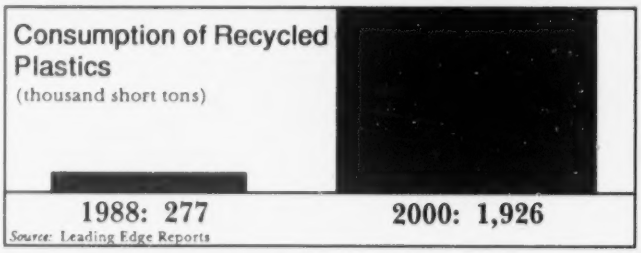
Carter Rice Paper Co.
Boston MA

Caskie Paper Co.
Raleigh NC

Cauthorne Paper Co., Inc.
Richmond VA

See Swan page 31

Use of Secondary Resins in Plastics to Grow 17.6% per Year Through 2000



Between 1982 and 1988, the volume of recycled plastics increased more than 27% annually to 277,000 tons, states Leading Edge Reports in its study "Recycling Opportunities." By the year 2000, the consumption of secondary resins is projected to reach 1.9 million tons, a 17.6% annual growth rate.

The study covers all metals and non-metals. The report shows that paper recycling will reach 48.6 million tons per year by the end of the century.

The full report, "Recycling Opportunities," costs $2,500 and is available from Leading Edge Reports at 216-791-5500.

Garbage is a "Time Bomb," Says NSWMA President

NEW YORK CITY...The rest of the country is "getting mad as hell and not going to take New York's trash much longer," reported Allen Moore, president of the National Solid Wastes Management Association (NSWMA). He spoke to the state panel about New York's garbage problem and refered to it as a "time bomb with a fuse that's getting shorter, faster than you think."

Moore stated that state legislatures and governors are taking action to restrict or stop the flow of what some refer to as "New York City produce" into their states.

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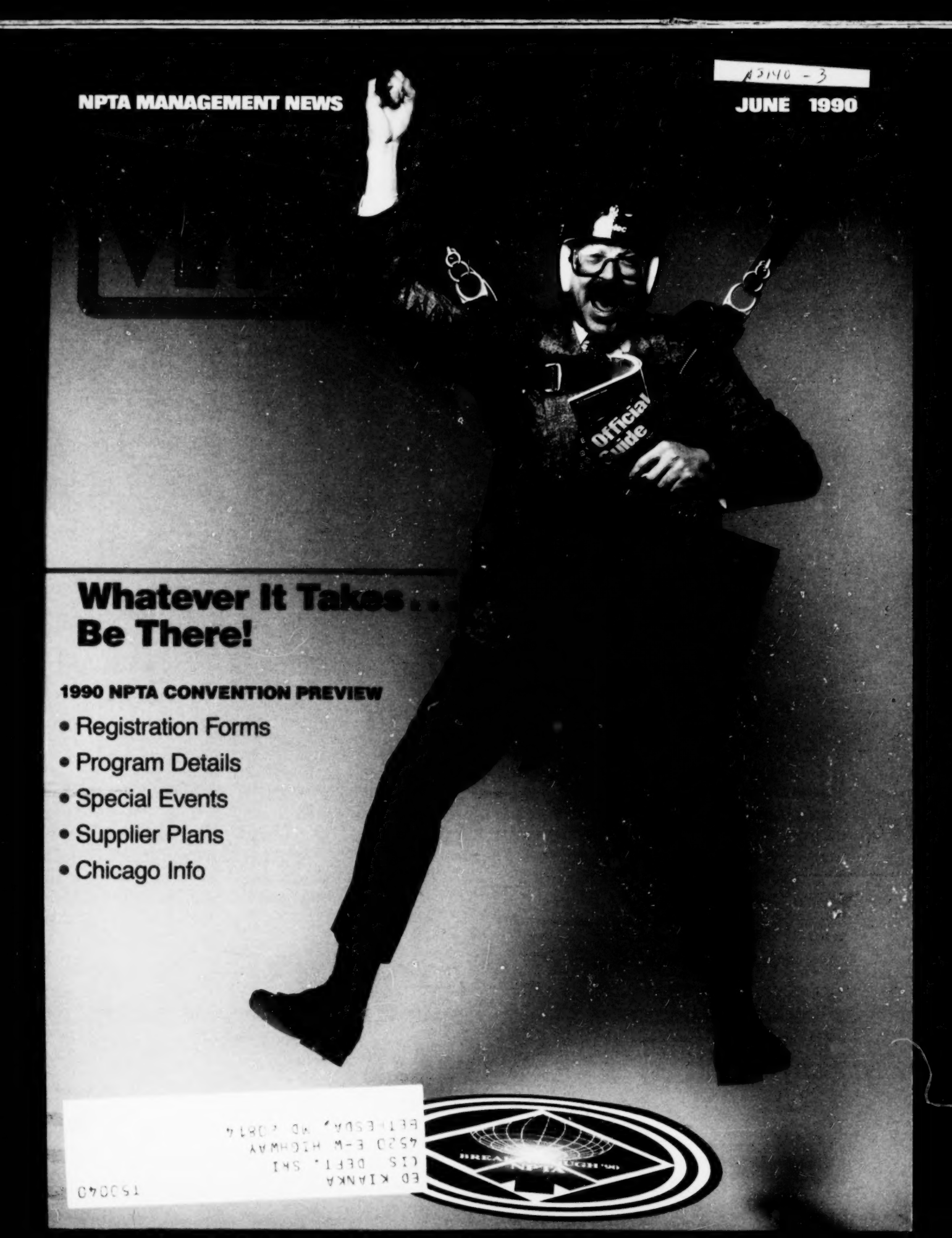
JUNE 1990



Whatever It Takes... Be There!

1990 NPTA CONVENTION PREVIEW

- Registration Forms
- Program Details
- Special Events
- Supplier Plans
- Chicago Info

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This issue of MN contains all the necessary information and registration forms needed to participate in NPTA's 1990 Convention and Paper/Plastics & Allied Products Exposition in Chicago, October 5–9, 1990. (See registration forms following page 82.)

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Young executives learned to ask smarter questions and better manage their relationships during the annual YEF Mid Year Conference last March.

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One of the foremost chroniclers of American culture will offer his view of pop trends.

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Architecture, botanical gardens and an afternoon with "Shirley Valentine" are headliners.

62 **1990 NPTA Convention Program**
Dynamic programs, exciting speakers and insights into the latest industry trends are all part of this year's Convention Program. All scheduled meetings, registration information and special events are listed.

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Cover Photo: Richard Chesnut

duced at more than 1,000 feet per minute. The No. 2 paper machine produced facial quality tissue for two and three-ply napkins.

To help better serve the customer, the firm joined forces with Philip Morris in 1977 and then Chesapeake Corp. in 1985.

Since 1979, more than $68 million has been invested in deinking facilities, including $33 million for the new Eagle II project.

To continue to show its concern for the environment, Wisconsin Tissue recently launched its Second Nature product line, which exceeds all the Environmental Protection Agency's guidelines of post-consumer recovered material content in facial and bathroom tissue, toweling and napkins.

Non-Impact Printer Leads Market

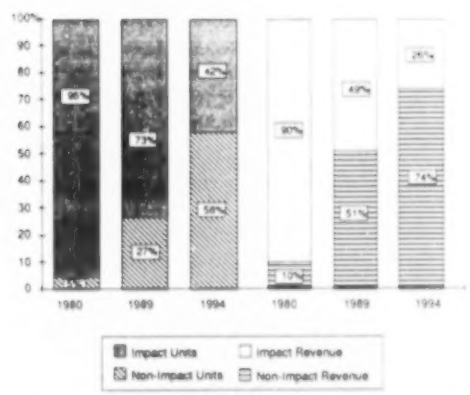
The long-predicted market dominance of non-impact printers was achieved as revenue shares of non-impact printing topped 50% of the total printer market for the first time in 1989, according to a new report, "Marketrends 1990: A Printer Industry Update," recently released by BIS CAP International.

Non-impact printing held a 51% revenue share in 1989 (up from 47% in 1988). This trend is expected to continue through 1994 when non-impact printers (defined as page printers, direct thermal, ink jet and thermal transfer) will dominate in unit terms, along with a 58% market share.

"These changes which have closed out the 1980s are setting the stage for the coming decade by determining the rise or fall of fortunes for industry participants. The most successful vendors have been those best able to respond to the changing demands of the marketplace, coping with shortened product life cycles and ever-increasing price pressures," according to Naomi Cameron, associate director of research.

For more information, contact BIS CAP International, Waltham, MA, at 617-893-9130.

Figure 1
U.S. Printer Industry Market Share of Shipments and Revenues, 1980,1989,1994 - Impact vs. Non-Impact



Source: BIS CAP International

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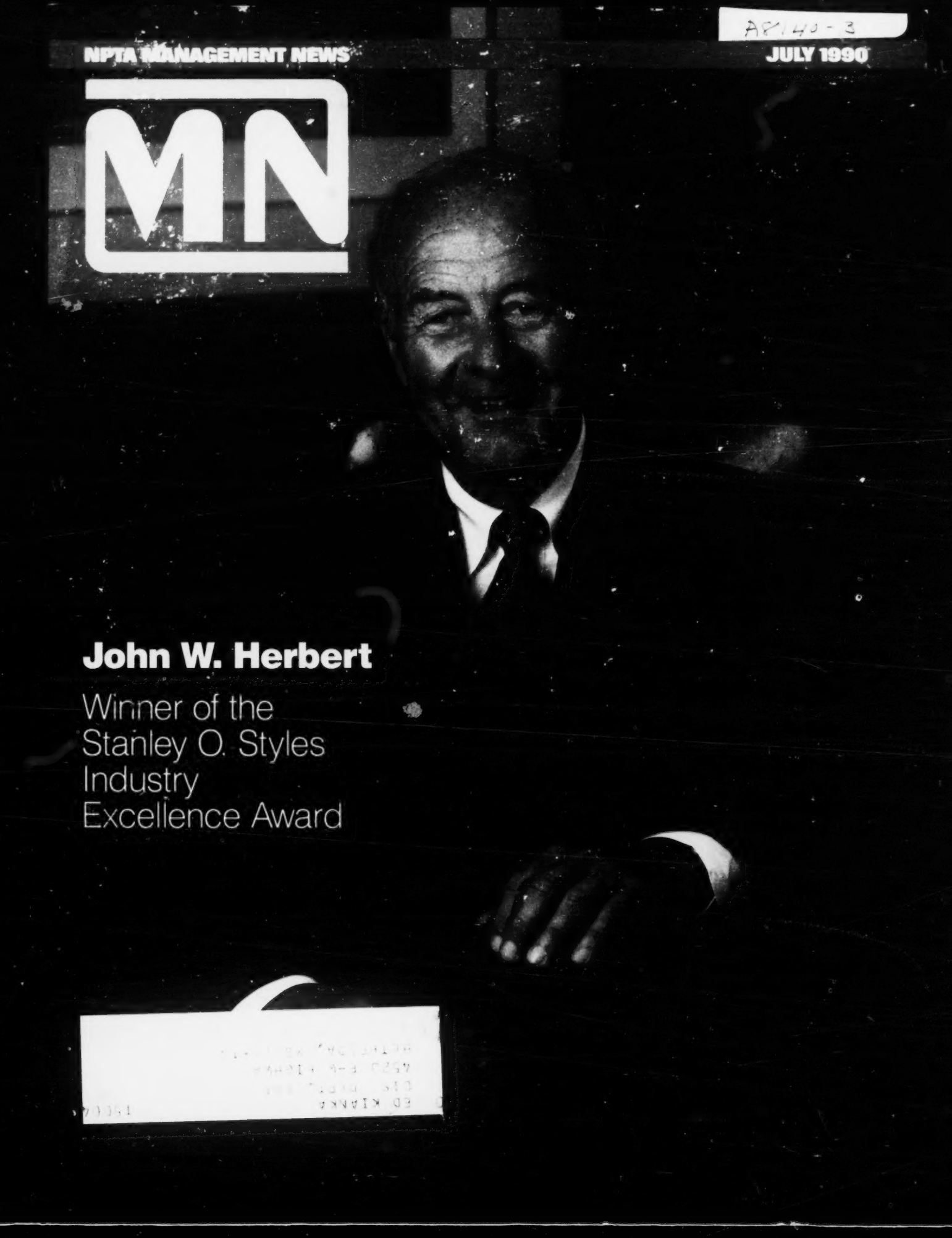

John W. Herbert

Winner of the
Stanley O. Styles
Industry
Excellence Award

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Cover Photo: Dan Cleary

Perception of Reward Divides Distributor Groups

Although most indicators of job satisfaction among paper and plastics distributors have remained strong during the past year, compensation has generated the most contention among dual respondents. Industrial paper and plastics distributors showed the greatest increase in their level of satisfaction with all elements.

by William H. Frohlich,
Editor & Publisher

Overall job satisfaction among paper and plastics distributors is strong. There is no question about it. Of those responding to the latest *Management News* "Joy of Working" survey, 73.3% reported that they enjoy their jobs considerably. Although this is down slightly from last year's 78.5% level, it is still a sign of a very healthy industry and a strong consensus on the part of paper and plastics distributors that they like what they do.

The indicator that reinforces this strength is the statistic that 77% of those surveyed—nearly eight out of 10—have no plans to change jobs in the next three years. (This number, too, is down slightly from last year when 82% of distributors said that they were staying put.)

Survey Participation Up

This year 285 usable responses were received from paper, plastics and allied products distributors from across the country. This is up over 11% from the number of distributors that answered last year's survey. (The survey form appears each year in the March issue of NPTA's *Management News* magazine.)

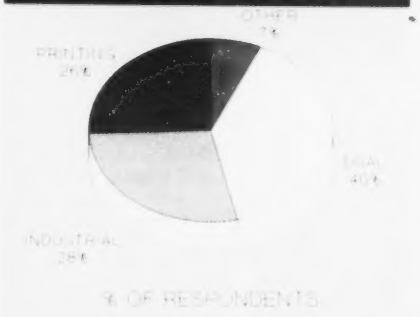
Of those responding this year, 26% work for printing paper distributors, 28% industrial, 40% dual firms and 7% other—a good cross-section of the industry.

When looked at by position held in the their companies, 30% are in upper management, 29% middle management, 30% sales and 11% support functions—also a strong representation. These breakdowns by type of company and position within the firm is very consistent with last year's group, so reliable comparisons may be drawn from year to year.

Furthermore, 45% of respondents work in companies that employ fewer than 100 people, 24% for firms that have 100-250 people and 32% work for companies that have over 250 employees. Three quarters of those participating in the survey are under 50 years of age. Most of those surveyed, 55% in fact, have less than 10 years of service with their particular employer. This reflects the characteristics of typical distributors in this industry and has not changed much in character from last year's group.

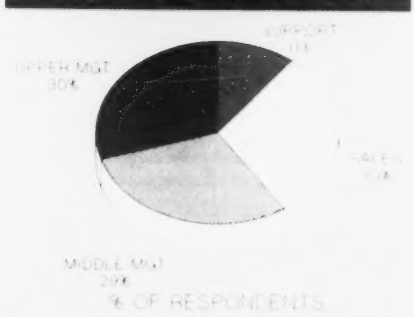
#1

NPTA MN SURVEY: *THE JOY OF WORKING*
RESPONDENTS' COMPANY TYPE



#2

NPTA MN SURVEY: *THE JOY OF WORKING*
RESPONDENTS' POSITIONS IN COMPANY



What Puts the "Joy" in Work?

There are many measures of job satisfaction that one might look at to understand what makes workers content in this industry as they go about their daily tasks. The *MN* survey dissected the "Joy of Working" into approximately 11 component parts. These have been grouped together into four general areas of satisfaction in the following manner:

A. Overall Job Enjoyment
   1. Basic enjoyment of the job
   2. Plans to stay or leave

B. Performance/Reward
   3. The sense that performance is rewarded
   4. Expectation for job advancement
   5. Satisfaction with the compensation package

C. Company Pride
   6. Pride in company
   7. The sense of sharing in the company's success

D. Perception of Supervision
   8. The sense that expectations are known
   9. The sense that company information is being shared by supervisors
   10. The sense that teamwork is encouraged
   11. The sense that superiors are approachable.

Performance/Reward

This area is always the most controversial. It has been said that whenever three paper distributors are talking about compensation, there are at least five different opinions. This year, especially, the results of the *MN* "Joy of Working" study must be analyzed carefully.

Last year showed that the dual distributors were far and away the leaders in the Performance/Reward category. Employees were happiest with their compensation, potential for job advancement and had the sense that they were being rewarded properly.

This year, apparently, things are different. Employees from dual firms showed a significant decrease in their perception that they are being rewarded for their work, that they are satisfied with their compensation package and that their jobs lead to advancement. (See Figure 3.)

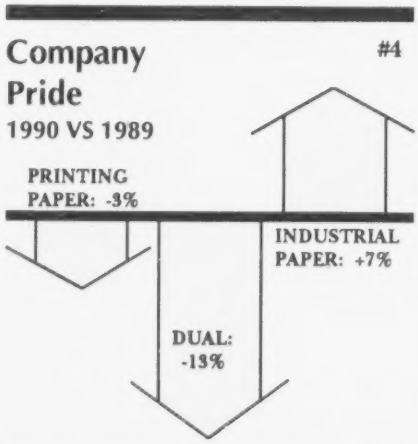
It is also clear from the table that employees from industrial paper and plastics distribution firms felt more positive about their compensation and reward when compared with last year's results. Printing paper merchant employees remained basically unchanged.

As one might imagine, sales people, as a group, are always concerned with their reward system. This year, they were 7% less satisfied with their overall compensation, reward and opportunities for advancement than they were last year. It may point to the difficulties surrounding the entire sales compensation issue that are facing the industry today.

Company Pride

The pride-in-company issue ties in with the general feeling that "we are all working for a good cause." The two measures used—how proud one is of one's company and the sense that one shares in the success of that company—show industrial paper distributors up from last year, while a big decline is evidenced in dual firms. (See Figure 4.) Printing paper merchants were seen as changing slightly.

When looked at by overall company size, those who work for large companies (over 250 employees) showed a 7% decrease in their level of pride from last year. As these companies are mostly made up of duals, this is consistent with the results above. The findings for sales people were basically unchanged from last year.



Perception of Supervision

Here again, the industrial sector had the greatest improvement, while dual distributors declined. Printing paper merchants remained basically unchanged. (See Figure 5.)

Upper management always has a different perception of this area. Because they are the ones who are most likely doing the sharing of information or are creating the expectations, they always give themselves high marks. As a matter of fact, they gave themselves marks that were a few points higher than last year. (In the face of the other results in this report, it may show that they are a little out of touch.)

Unfortunately, middle management was off a few percentage points from last year's level of satisfaction with those who supervise them, and sales people's perceptions were significantly lower. The rating given by sales people to their supervisors dropped by nearly 20%!

The biggest reason for this among sales people, it seems, is that they feel left out when it comes to sharing information about the company and a lack of encouragement of teamwork. Plus, the compensation issue, again, may be responsible.

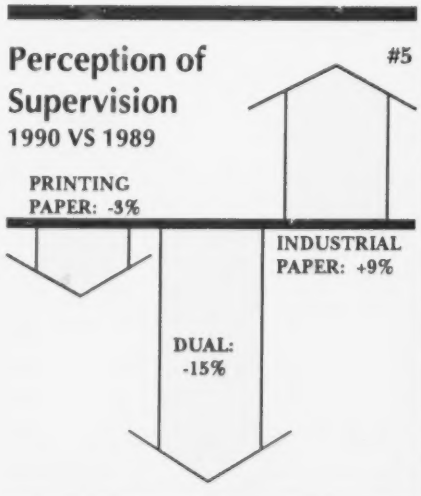
Attitudes Are Transformed

There are many factors that affect job satisfaction; *MN*'s survey attempted to identify a number of them. But what truly cannot be measured is what causes these factors to change. It is always difficult to interpret the reasons for people's attitudes and feelings. Only hypothesis and opinion can be expressed.

Printing and industrial sectors had little change over last year, so no conjecture here is needed.

But why have the perceptions of employees from dual houses changed as much as it has? Perhaps the drop in satisfaction was due to the major transformations in this sector. During the past 12-18 months, dual distribution firms have undergone more changes in ownership, organization and sales force compensation than the others. In a fast-paced environment, attitudes tend to shift—from uncertainty and worry over what the new management may do; to satisfaction or dissatisfaction with the changes; to acceptance, once they understand the reasons for change. After that, either satisfaction goes up or the employees leave—and maybe they should.

Let's see what next year's survey reveals.■



NPTA MANAGEMENT NEWS AUGUST 1990

MN

The Rewards of Working Smarter

The Results of the 1990
Paper Merchant Performance Survey

MN
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by Peter L. Mullins
The world is changing rapidly around us. Author Peter Mullins, who works for Management Foresight, Inc.—the consulting firm that performs NPTA's PAR study—gives insight into how paper merchants can survive and prosper in a changing business environment.

25 **The Committed Distributor Gets the Source**
by Irv Mermelstein
There are fewer suppliers today, says writer Irv Mermelstein. The clever, committed distributor, he says, is the one who will gain the confidence of his suppliers.

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by Joan Prevete O'Donnell
Small shops across the country are the mainstay of the retail packaging distributor. This Virginia Beach boutique owner relies on the creativity of her paper merchant.

37 **Video-Based Training Program Covers Industrial Product Sector**
by Jeff Thompson
An important training need is now being addressed by NPTA as it prepares to launch a world-class industrial product training program that covers the entire paper and plastics distribution arena.

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PAR - Industrial Performance

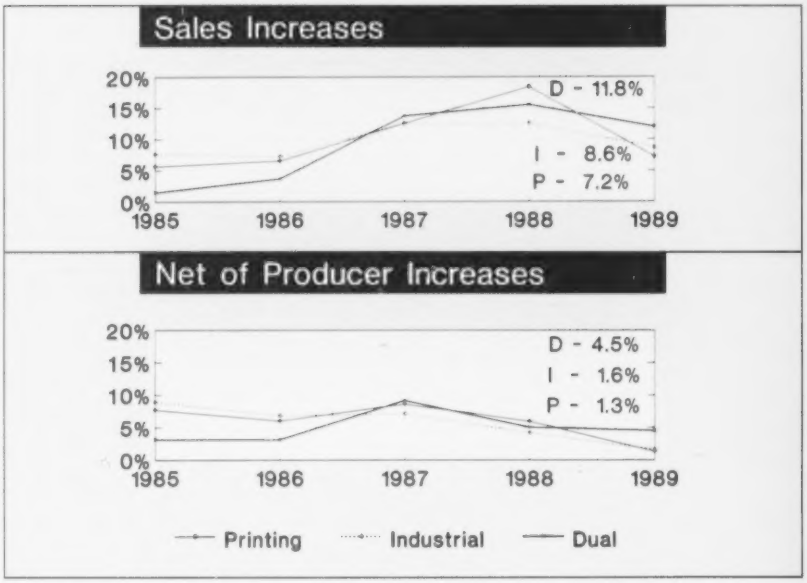
Major industry findings are summarized here from NPTA's member's use of the Management Foresight, Inc.'s PAR

by George Cain, NPTA's

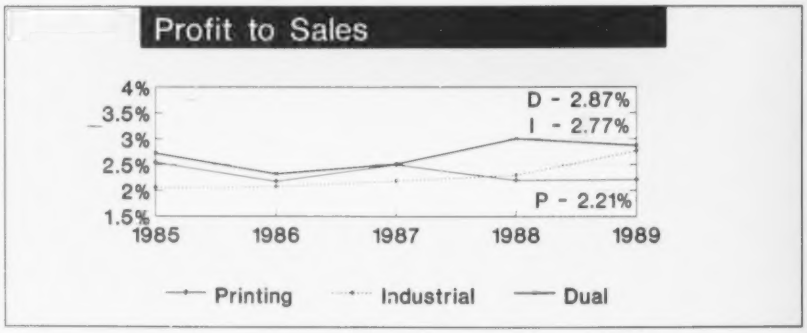
Industrial firms significantly improved their performance, as reflected in NPTA's 1990 PAR (Performance Analysis Report), while printing and dual firms basically maintained prior year performance levels. Industrial firms had relatively low sales increases, but improved their performance on three core PAR Profit Model measures: profit to sales, profit to assets, and profit to net worth. Industrial firms performed better than printing firms on all three measures for the first time in over 10 years and also exceeded dual firms on profit to net worth. Profit figures are Net Profit Before Taxes (NPBT) to allow for realistic comparisons in an industry with substantially different tax loads based on the varieties of company ownership and structure.

This article provides highlights of 1990's *Paper Merchant Performance*, an annual NPTA publication providing extensive prior year and historical data about the paper and plastics distribution industry in the United States. The eight graphs in the article are five-year versions of some of the multi-year graphs included in *Paper Merchant Performance*. All measures cited here are composite averages, which describe how the industry as a whole performed in a given year. *Paper Merchant Performance* also includes additional details about 1989 merchant performance, both on an overall basis and by merchant type (printing, industrial and dual).

1990's *Paper Merchant Performance* itself provides composite results for 1989 industry performance based on data from more than 225 PAR forms submitted by companies to Management Foresight, Inc. (MFI). MFI has been providing PAR reports to NPTA members for 14 years, and NPTA has provided annual operating surveys as a member service for over 50 years.



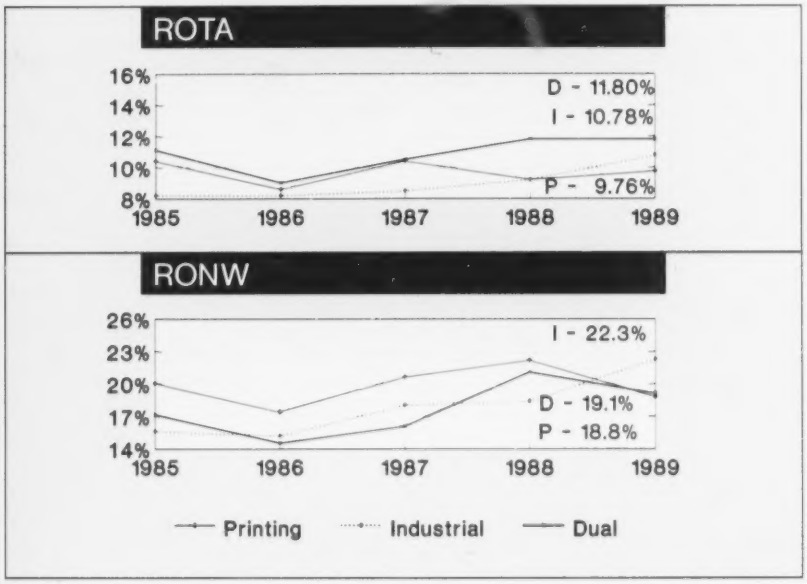
Raw sales increases were lower in 1989, partly reflecting substantially lower increases in prices merchants paid to their suppliers. Dual merchant firms clearly did the best on both dollar volume increases and increases after adjusting for producer price changes, since both printing and industrial merchants had adjusted net volume increases of less than 2%.



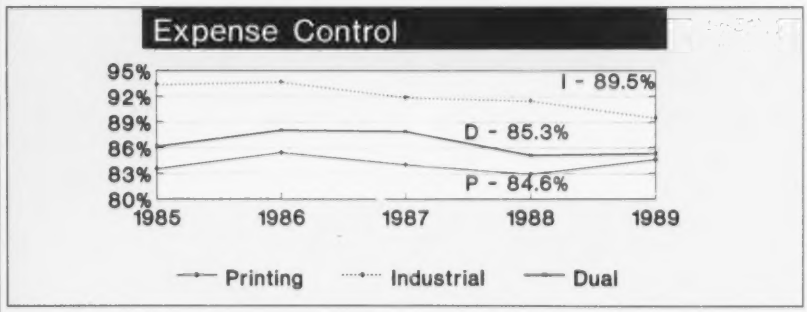
Dual merchants dropped slightly in their Net Profit Before Tax as a percent of sales, but still had the highest performance. Industrial merchants rose substantially, surpassing printing merchants who had a slight drop. This profitability measure, the oldest and simplest of the measures in the PAR Profit Model, is one of three core profitability measures.

Improves Dramatically for 1990

annual *Paper Merchant Performance*, developed from NPTA (Performance Analysis Report). This report was prepared Director of Research



These two profitability measures are more powerful tools than profit to sales, and it is here that the industrial merchant improvements are most dramatically evident and that the printing merchants show the poorest performance. Return on Total Assets (ROTA) is the most powerful tool, although Return on Net Worth (RONW) is perhaps more well known.



Total operating expenses as a percent of gross margin results parallel the changes in the last two profitability measures. Printing merchants performance was worse, reversing almost all of the previous two years improvement. Dual merchants showed virtually no change, and industrial merchants improved significantly and continued a long-term trend toward improvement.

PAR Profitability Groups. One of the key benefits of PAR is a separate analysis of performance by high, middle, and low profitability groups. Printing firms in 1989 had a much greater spread in profitability measures. The lower profitability group, for example, had profit to sales performance of -1.50%. Printing firms had not had negative profit to sales in the lower profitability group since 1983. This area will take some further examination during 1990.

1990 industrial performance continues strong. NPTA also provides members a Quarterly Business Conditions Report (QBCR) as a "snap-shot" of industry performance during the year. The first quarter QBCR showed industrial performance better than printing performance on Profit to Sales. This performance area also warrants a close look for the remaining quarters of 1990 and in next year's PAR.

PAR provides participating merchants a wide variety of sub-comparisons so that firms can identify their strong and weak points in relation to many different breakdowns, including their sales volume size. Two of the five industrial sales volume groups (under $4.5 million and $6 - $12 million) lagged behind the others on all core profitability measures. The two smallest printing merchant sales volume groups (under $10 million and $10 - $20 million) lagged behind the two larger groups. Among dual merchants, the smallest sales volume size (under $25 million) had the lowest profitability performance.

Other sub-comparisons in PAR include area of the country and industrial product specialization (for industrial merchants) or sales path (warehouse versus direct sales) for printing and dual merchants.

continued on page 16

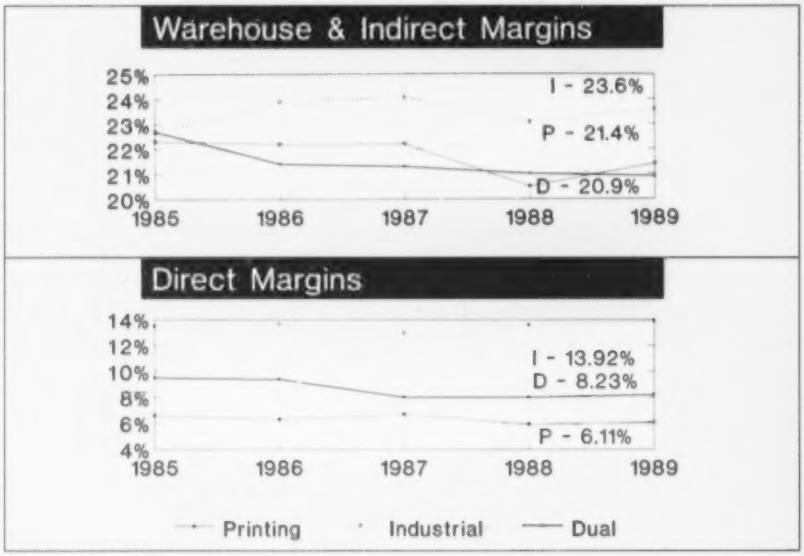
PAR had two new features for 1990 and improved on a new feature from last year. The most dramatic new feature was the early report. Firms filing by the beginning of March received an early summary report of industry performance by April 1. A second new feature was providing a free Executive Summary for all timely filers using the standard questionnaire. The improvement on 1989 was in the PC disk-based questionnaire, EASE, with improvements in ease of use for EASE and separate PC spreadsheet files to help in re-classifications needed for PAR.

PAR is provided to NPTA under contract with Management Foresight, Inc. (MFI) of Columbus, OH. Dr. Peter Mullins of MFI has provided an article for this month on how to manage a company in the midst of a poorer economic situation (see page 18). This is an example of how companies can use PAR measures to manage their businesses more effectively.

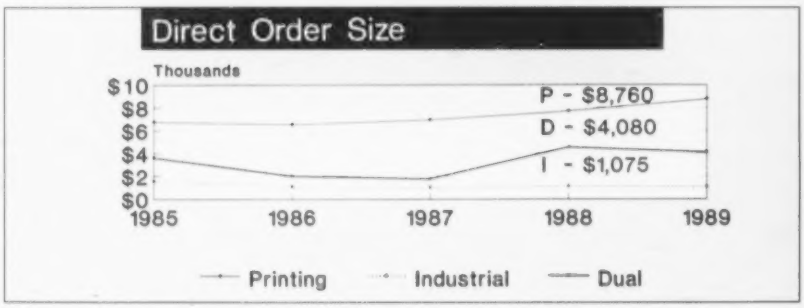
This article highlights some of the results of the 1990 PAR, summarized in NPTA's 60-page *Paper Merchant Performance*. In *Paper Merchant Performance*, but not in this article, are basic measures such as sales and gross profit per employee, per sales department employee, and per outside and inside sales staffs. Similarly, asset and financial management measures such as inventory days and total debt to net worth are included in *Paper Merchant Performance*.

PAR reports, received by individual filing companies, also include a number of considerably more detailed measures. These include sub-expense areas as a percent of gross margin and such detailed areas as average number of warehouse invoice lines per warehouse employee. If a company reported compensation information, PARs also contain information on compensation per various types of employees. Companies can use combinations of these measures, along with the comparisons listed at the end of page 15, to target particular problem or success areas and to improve profitability.

Other measures summarized for this article from *Paper Merchant Performance* are as follows, on gross margins and average direct order size.



Gross Margin percentages show general improvement. Printing paper merchants had noticeable rises in both types of shipments, dual merchants increased their direct margins but had a slight drop in combined warehouse and indirect margins, and industrial merchants showed minimal rises on both margin measures. This favorable margin performance, of course, does not change the long-term erosion of margins which has taken place within the industry.



1989 brings no major surprises in the direct order sizes. Printing merchants showed the only notable rise, but factoring in producer price increases would show virtually no net change over the past several years. Industrial merchant direct order size dropped minimally, and there have been no notable changes since a major drop in 1986. Dual merchants had a drop, but did maintain most of 1988's major increase.

For further information about this article, *Paper Merchant Performance*, PAR or other NPTA research services, contact NPTA's Research Department at 516-829-3070.

Merchants Play Multiple Roles to Sell Coated Paper

Distributors serve as a consultant, teacher and banker to satisfy user needs.

by Joan Prevete O'Donnell, Senior Staff Writer

When it comes to selling coated publication papers, merchants wear many hats. Resource, consultant, educator, financier—at some point distributors play all these roles to help customers select the paper that will satisfy their needs.

At the same time, distributors must contend with the advent of new grades, such as supercalendered, and a virtual avalanche of product once new machines come on-stream over the next few years.

Merchants will continue to perform multi-faceted roles, if industry statistics are any indication. According to "Printing/Writing Papers—1989-1998 Outlook," a 1989 research report published by *Pulp & Paper* Forecaster Services/Miller Freeman Publications, San Francisco, U.S. demand for coated paper is forecast to increase by 4.2 million short tons over the current level, reaching 12.1 million tons by 1998. That's a 53% jump in this 10-year period.

Almost all industry experts will tell you that the bulk of coated publication grade is purchased directly from the mill. But how much is open to debate. Research by Jaakko Poyry Consulting, Tarrytown, NY, based on shipment data from the American Paper Institute, shows that 64% of coated pub grades are bought direct, while 36% is bought from merchants. However, a new study of 1,500 magazine publishers, conducted by *Magazine Design & Production*, reveals that close to half buy their paper from merchants. (See box, page 33.)

As well they should, say distributors. That's because wholesalers offer several advantages that mills cannot, due in part to their function and structure.

One is variety. Mills provide only one grade—their own. But because the majority of wholesalers represent a multitude of suppliers, distributors can stock a number of coated sources, thereby acting as a more complete resource for the customer.

As a result, merchants more often than not can ship the needed order regardless of any manufacturing-related crisis that may exist. "We deal with many mills," explained Robert Anderson, executive vice president, general sales manager, Gould Paper, New York City. "While there may be a shutdown at one mill, we can usually substitute product from another."

After all, said merchants, one of the distributor's goals is to get merchandise to the customer. "The end-user obtains a higher level of service with a merchant," said Robert Latzen, vice president, national sales group, JB Papers, New York City. Staffed with salespeople in the field and support help inside, merchants are structured and ready to offer the personalized service that most customers request.

"Unless you're the size of *Time*," said Latzen, "mills are unable to provide the user with the depth of service that we offer."

This "serviceabililty" is a key element in selling coated paper successfully. "Urgency is a factor in this business," pointed out Timothy Shannon, executive vice president, Bradner Smith & Co., Chicago. Indeed, beepers and car phones are two modern tools of the trade that he uses to help keep the relationship between customer and distributor close.

Act as Advisor

Because merchants offer such coated

Major End Uses For Coated Grades
U.S. Domestic Shipments in Thousands of Short Tons

End Uses	Nos. 1&2	No. 3	No. 4	No. 5	Coated One-side
Periodicals	21	117	511	1,923	0
Catalogs	7	545	415	770	0
Inserts & Flyers	0	124	217	394	0
Other Converted Papers	0	6	0	63	21
Commercial Printing	644	130	94	61	43
Books	9	78	159	53	1
Labels	2	9	1	0	339

Source: Forecaster "Printing/Writing Paper - 1989 - 1998"; Miller Freeman Publications Inc. (1987 data)

Coated Papers More Popular with Publishers

Of 1,500 magazine publishing executives surveyed, nearly half purchase their coated paper from the merchant community.

That's one of several revealing trends gleaned from the 1990 Paper Trends Survey conducted by *Magazine Design & Production* magazine and published in its June 1990 issue.

According to the published report:

- 54% of responding publishers and corporate officers and 37% of production heads are basically responsible for approving budgets for publication paper;
- 38% of respondents plan to increase paper usage in the next year;
- 55% made no change in paper quality in the past year; however, 25% have upgraded;
- 53% of the responding production managers and 37% of the responding corporate officers/publishers are responsible for recommending the type of publication-grade paper used;
- 52% of production managers and 34% of corporate officers/publishers are accountable for suggesting and/or choosing the paper supplier.

paper variety, they must also act as a consultant to customers to advise them in selecting the appropriate paper for the job. "There are more grades available than ever before. So the merchant plays a role in sorting these out for the end-user," said Edward Kniep III, president of Shaughnessy-Kniep Hawe Paper, St. Louis, MO. "It's not all magazine work."

Indeed, No. 3 coated paper, for instance—the highest quality coated paper that can be called a commodity grade—is used in a number of applications, such as catalogs, books, inserts and direct mail advertising. (See chart, page 32.) The merchant's ability to show and explain the differences between what the manufacturers offer is considered a "value-added service."

Additionally, distributors provide the technical support that's needed. "There may be a question from the customer regarding whether they should run sheetfed versus web," said Shannon. "We help make sure the paper runs" relatively problem-free.

Another role merchants play is that of financier. Most mills insist on payment about 20 days after shipment, a policy that most customers are unable to abide by. By acting as an intermediary, distributors provide other financing arrangements that are more suitable to the users.

At the same time, merchants enable users to get a better handle on costs by offering them the benefits of volume buying. A merchant will often combine an order of, say, 50 tons of paper, with that of, say, 1,000 tons of the same paper, thereby saving the small-order buyer a nice piece of change. "The merchant represents the customer's interests," observed Latzen.

Better Base Sheet

Whatever hats merchants wear, manufacturers have and will continue to enhance coated publication grades. What's noteworthy, said Latzen, is the recent improvement in the base sheet. "The base sheet is really the critical factor in manufacturing," he explained. The upshot is that the coating's quality is superior not simply on one side, but on both. "You have a much better side-to-side printed sheet."

Quality advancements are also apparent in the paper's brightness and gloss. "Rather than the greyish or reddish white of the past, you tend to see a brighter, blue-white in today's pub grades," cited Anderson of Gould Paper.

Giving coated paper a run for its money, however, in terms of demand, is super-

See Pub Grades page 34

Security & Loss Prevention

For The Paper & Plastics Distributor

A Management Guide for Controlling and Preventing Business Abuse

by Richard P. Fisher

- One in 12 employees will steal from their employers in the future.
- One - third of all employees admit to past thefts from their employers.
- Most wholesale distribution firms will experience some forms of business abuse in addition to theft such as **the use or sale of drugs – payroll violations – computer fraud – cash theft – destruction of audit trails and kickbacks.**

Security & Loss Prevention for the Paper & Plastics Distributor, just published by NPTA, addresses the most cost-effective method of fighting business abuse: **Preventing it!**

This guidebook, developed for NPTA by security expert Dick Fisher, describes what to look for, how to prevent losses, and what to do once you've determined that you are indeed a victim of business abuse.

Also, the guidebook contains straightforward, easy to apply principles which you can use to steer your firm towards increased profit and productivity. By carefully studying and implementing the outlined plan, you will be prepared to detect business abuse before it sneaks up on you.

Security & Loss Prevention for the Paper & Plastics Distributor is available to NPTA members for **$60** and to suppliers for **$75** (plus **$4** shipping and handling).

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"capital structure"; how you balance funds sources between debt (particularly interest bearing debt) and equity.

Financial risk works very much like operating risk. Firms with no interest bearing debt tend to have more stable earnings. In good times they don't do as well as "highly leveraged" firms (those using a lot of debt financing); but, in tough times they are better off. This is because interest costs tend to act like fixed operating costs. Once a leveraged firm has covered its interest obligations, it gets to keep what is left. And, its equity investment is lower (some of its equity financing was essentially replaced with debt).

Therefore, in good times such a firm will typically achieve a higher return on equity. In bad times such a firm is more likely to lose money. In addition, it runs a higher risk of bankruptcy. Risk and return once again.

4. Asset Elasticity

This mouthful refers to how your total asset investment (the left side of your balance sheet) responds to changes in sales. If your asset requirements are very "elastic" and decline at the same rate as sales, then a sales decline will be accompanied by reduced financing requirements. You could use the funds released to pay down debt and reduce your interest costs. This would be very attractive in a recession.

An excellent example of an "elastic" balance sheet is that of a lumber wholesaler who sells carloads of lumber on a direct shipment basis. I am familiar with one such firm that has over 95% of its assets in accounts receivable. When the firm's sales declined from $60 million to only $30 million, accounts receivable also declined from $8 million to $4 million. The $4 million that was collected and not reinvested in receivables was used to pay down debt. As a result, the firm's financial leverage multiplier declined from 3.8 at the peak of the building cycle to only 1.5 at the trough, exactly what you would like to have happen.(2)

In contrast to the lumber wholesaler described above, the typical metal service center has a significant investment in fixed assets and a relatively low inventory turnover. Thus, its asset elasticity is much lower. As a result, the average service center is not able to decrease its asset investment proportionately when sales decline. And, its financing needs (and interest costs) tend to remain high even when business slows. The average paper merchant is probably somewhere between the two extremes above. On the plus side:

- Most paper merchants don't have very large investments in fixed assets.
- They manage their inventory effectively and so can react more quickly to weaker demand.
- Their average collection period is relatively short and may reflect lower risk account (and, then again, it may not, depending on the firm's market emphasis.)

Footnotes:

1. You can develop your own financial planning model using a spreadsheet, or buy one of the many already available. Roger Harvey's model costs $250. You can call him at 614-421-1101 (I have no economic interest in the model).

2. For those still not comfortable with the financial leverage multiplier, remember that it is just "one more than the debt-equity ratio." In the example above, the debt-equity ratio declined from 2.8 to 0.5.

Part two will continue in September MN.

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calendered paper. Supercal, the majority of which is made in Europe, competes primarily with No. 5 lightweight coated paper. Prices for both types are converging. And that might change the picture for coated. "There's only so much of the pie to go around," said Shannon.

But at this point, supercal's value has its limits. Industry experts maintain that SC's ink hold-out has not reached that of coated grades. As a result, "SC is used in areas, such as rotogravure, where critical printing is not absolutely necessary," said Latzen.

Old Signs No Longer Exist

While the statistics for coated paper demand over the next decade are upbeat, those on the street are finding that their crystal balls have become cloudy. "The old indicators for demand don't seem to work anymore," noted Latzen. For instance, years ago a downturn in the U.S. economy would usually affect the demand for paper. Today, thanks to new markets and uses, that may not always be the case, he explained.

Another factor that prohibits demand predictions is that, for the most part, the printing community is no longer keeping a large inventory of paper as it did in the past. Back then, as demand increased, printers stored as much paper as they could, said Latzen. But in the '90s, most of these firms, stymied by exorbitant costs, are carrying little or no inventory—relying instead on just-in-time delivery.

Complicating the supply-demand issue even further is the fact that over the next three years, at least three suppliers—Consolidated Papers, S.D. Warren and Champion International—are unleashing three new machines for the making of coated papers. This, industry observers noted, will have a dramatic effect on pricing and margins.

Do the Basics

Nevertheless, distributors can remain successful in this market niche if they "continue to do the basics," said Kniep of SKH, that is, informing customers of the latest products and trends and satisfying their needs quickly.

But only a handful of merchants are up to the challenge. "This is a segment of the merchant business where only a few are committed to it," observed Charles White, president, Monarch Paper, Houston. "The successful ones are those that specialize and are devoted to this area."■

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MN

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Software Controls Order's Timing

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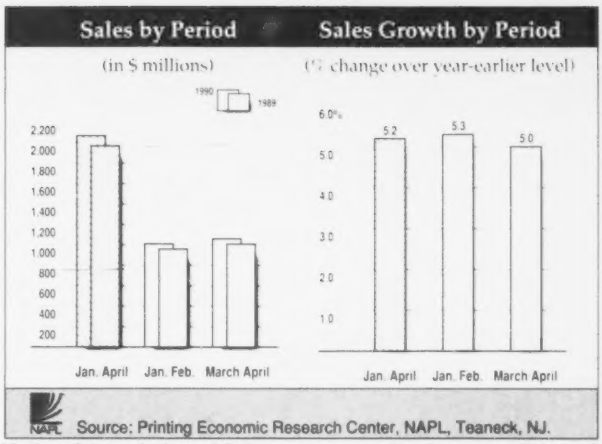
Printing Sales Stay Soft, Says NAPL

Sales growth slipped to 5% during the March-April period of 1990 from 5.3% during the previous two months for commercial printers participating in the Printing Economic Research Center's Printing Sales Index.

The increase over last year's January-April sales was a modest 5.2%. "The message in these data is that the soft printing market hasn't started to firm up yet," concluded Andrew Paparozzi, chief economist and director of the research center, a division of the National Association of Printers and Lithographers.



It's expected that commercial printing sales will increase by between 5% and 6.3% by year-end, a decline from last year's printing sales increase of 7.1%.

Recycled Wastepaper Usage to Hit 27M Tons by '94

Consumption of recycled wastepaper in the United States is projected to jump 5.7% per year through 1994 to more than 27 million tons, with 97% going into the production of new paper and paperboard stock.

That's one of the conclusions drawn by analyst Eric J. Mundy in "Paper Recycling," a new business research report produced by The Freedonia Group, Inc.

Production of new paper and board will increase less than 3% annually to 90 million tons in 1994. At that time, the wastepaper utilization rate will exceed 29%.

Wastepaper is gaining at the expense of wood pulp in all grades, said Mundy, due to an improving recovery rate, legislation encouraging recovery and enhanced consumer acceptance of recycled paper products.

The 105-page report, "Paper Recycling" (B189), is available for $1200 from The Freedonia Group, Cleveland, OH, at 216-921-6800.

Briefly Noted...

American Fiber-Velope Manufacturing Co., Collingdale, PA, has recently added 50,000 square feet of manufacturing and warehousing space to its Waukegan, IL, facility. Meanwhile, **Gummed Papers of America** has built an additional 5,000 square feet of corporate headquarters space in Chicago.....Four-year-old **Maytech Computer Systems** boasts that it has installed its Specialized Distribution Software package at 38 different companies in three years, with a total installed base of 77 locations throughout the U.S. and Canada....At its Cincinnati folding carton plant, **International Paper** has converted from petroleum based to soybean oil based inks for virtually 100% of its production.

Small Biz, Homes to Drive PC Market

The low end of the personal computer market is about to shift into high gear.

According to BIS CAP International, the market research firm based in Norwell, MA, new PC products and channels of distribution will be appealing to more and more of the "forgotten" users—firms with under 100 employees and people who work at home during the day or after regular working hours.

According to the company, total shipments of PCs are growing by only 7% annually and will approach the 13 million mark by 1995. But shipments to the small business/home office segment are growing almost twice as fast as total shipments—16% annually.

What's more, the number of PCs going into residences are growing even more rapidly. BIS CAP expects a 23% increase in placements between 1989 and 1990.

Dow To Build New Ethyleneamines Plant in Texas

The Dow Chemical Co., Midland, MI, will build a new, 60-million-pound ethyleneamines plant in Freeport, TX. With this added capacity, Dow reportedly will have the largest global nameplate capacity of all ethyleneamines producers.

The new facility will be located near the company's existing Freeport ethyleneamines plant and is scheduled to come on-line in mid-year 1992. It reportedly will utilize state-of-the-art ethylene dichloride-based (EDC) technology to produce a complete variety of ethyleneamine products.

Ethyleneamines are used as intermediate chemicals in a number of applications, including the manufacture of lubricating oil additives, chelants, epoxy curing agents/hardeners, polyamides, wet strength paper resins, surfactants and oil-field chemicals.

Stone Launches Paper Sack Plant in New England

Stone Container, Chicago, is opening a 30,000-ton capacity paper grocery sack plant in Waterbury, CT, said to be the first of its kind in New England.

The plant, located in an existing building which Stone is leasing, has four New Long high speed sack machines with auxiliary collating and bundling equipment. Production capabilities include single-wall and duplex sacks.

Prior to this announcement, the market was supplied solely by bag plants outside the region.

Plans called for the facility to be fully functional by mid-August.

Single Service Items Protect Public Health

Foodservice disposables also cut down on water and energy usage, facts that can help your customers make informed buying decisions.

Convincing some customers that foodservice disposables are beneficial, in light of the public debate over the solid waste management issue, can be a struggle at best. Most industry observers maintain that many customers react to environmental concerns—and those elements that reportedly contribute to the problem—on an emotional, rather than a rational, basis.

But managing solid waste encompasses a string of individual issues that are tied together. Most of these will take time to unravel and solve. As a result, cooler heads—those arguing with facts, instead of feelings—will prevail.

Most distributors of foodservice disposables are familiar with the efforts manufacturers are making to create a more environmentally friendly product. That fully halogenated chlorofluorocarbons have been removed from polystyrene foam foodservice packaging and that the quantity of materials used per item has been reduced are two accomplishments that are fairly well known.

fpi Foodservice & Packaging Institute, Inc.

But other arguments and statistics exist that can help pursuade customers to continue to use single service items. Some of these points were outlined in a presentation recently given by the Foodservice & Packaging Institute to the Source Reduction Council of the Coalition of Northeastern Governors. Excerpts of that address follow below.
—Editor.

Now more than ever disposables play an important role in protecting public health. A recent study of disposables and reusables in Fairfax County, VA, [bears this out.] The study, the third conducted in the past 13 years, compared paper and plastic cups, plates and flatware with reusable items in the same establishments. Single service items were found to be significantly more sanitary.

The utensil samples in 21 foodservice operations revealed an average bacteria load of 410 colonies per utensil on reusables as opposed to only two colonies per item on disposables. The public health standard is 100 colonies or less per utensil surface.

The disposables were also found to be free of any disease-causing bacteria, whereas the reusables had an average count of 2.2 colonies per utensil of E. coli, an indicator of the presence of pathogenic organisms.

Bacteria counts were so high on some permanentware items (ranging from 46,000 to 71,000 on some flatware, glasses and plates) that they had to be characterized as "too numerous to count" and so could not be included in the final tally.

In addition, an inspection of the dishwashing facilities in the survey establishments revealed that 47% of the dishwashers were in disrepair or not functioning properly.

The survey included 13 restaurants, two hospitals, two nursing homes, two motels, a children's day care center and a secondary school. The Fairfax findings are consistent with the results of two earlier studies conducted in Syracuse, NY, in 1976 and in Ann Arbor, MI, in 1983.

Attitudes of Public Health Officials

A 1989 study revealed that public health officials view sanitation and health protection qualities to be the most important benefits of single service products. The survey of chief food protection regulators in 50 states and 50 major cities [showed] that 99% view foodservice disposables as contributing to proper sanitation levels in public foodservice operations.

The study also showed that the vast majority (76%) of these officials view disease prevention and sanitation to be the most important benefit of using single service products. Although the majority see solid waste and litter to be disposables' greatest disadvantage, 56% see the benefit as greater than the [drawback].

Three out of four of those surveyed believe that sanitation levels would probably or definitely decrease if disposables were significantly curtailed or eliminated.

Water Usage

Industrial dishwashers consume enormous amounts of water and energy. For example, a large conveyor-type dishwasher may use up to 500 gallons per hour. It is common for restaurants and institutions serving 500 customers per day and open for all meals to run dishwashers 10 or more hours. This is a particular problem during water shortages.

It is conservatively estimated that one extra gallon of water per customer would be used if restaurants were to convert from disposables to reusableware. This is based on the assumption that each restaurant customer uses 7-10 pieces of reusableware (3-4 dishes/saucers, 3-4 pieces of flatware, 1-2 glasses/mugs) plus a portion of other items (trays, servingware, etc.). For an average fast food restaurant with 50% takeout of a $450,000 annual sales volume, this would mean using at least 200 extra gallons of water each day.

In addition, dishwashing machines may be run at less than capacity due to varying demands during and between meals and because of employee practices. At peak efficiency, one gallon of water is needed

Continued on page 44

Comparison of Mean *E. Coli* Counts for Disposables & Reusable Foodservice Items from Three Studies (Colonies per Utensil)

	Disposables			Reusables		
Organisms	1989 Study	1983 Study	1976 Study	1989 Study	1983 Study	1976 Study
E Coli	0.0	0.0	0.2	2.2	0.0	0.8

E. Coli - an indicator of possible presence of enteric pathogens.

Comparison of Mean Bacteria Counts for Disposables & Reusable Foodservice Items from Three Studies (Colonies per Utensil)

	Disposables			Reusables		
Organisms	1989 Study	1983 Study	1976 Study	1989 Study	1983 Study	1976 Study
Total Bacteria Count	2.0	6.8	17.6	409.8	231.5	274.9

Accepted standard for bacteria on eating utensils (established by National Research Council) = Less than 100 colonies per utensil

to wash 10 glasses or five plates, or, as mentioned, utensils used by one customer. In reality, far more water may be required.

According to Technomic, Inc., a consultant to the foodservice industry, sanitarians report that a common problem with dishwashers is improperly cleaned tableware. Dishwasher operators are then required to rewash as much as 50% of their ware. Such real-life occurrences increase the extra water needs of switching to reusables to more than 200 extra gallons per day.

Energy Usage

Dishwashers are one of the most energy intensive pieces of equipment used by restaurants, according to figures developed by the National Restaurant Association. The NRA estimates that dishwashers account for 13% of a restaurant's total energy consumption. A two-tank conveyor-type dishwasher uses 92,000 BTUs per hour, more than a 110 lb. floor model fryer (66,000 BTUs per hour) or a two-deck oven (49,000 BTUs per hour). This is the equivalent of burning 4.40 lbs. of residual fuel oil and 9.6 lbs. of Wyoming coal, two common fuels, or 1.6% of a barrel of crude oil.

Low temperature dishwashers are more energy-efficient because they use water heated to 120-140 degrees Farenheit for all cycles. Sterilization is achieved not through heat but by the addition of a chlorine compound in the rinse. While low temperature dishwashers use less energy, the environmental benefits are offset by the discharge of the chlorine compound into the water system.

Detergents and Rinse Aids

Dishwashers use rinse aids, detergents and sanitizers, which are discharged into the wastewater system. Many Northeastern cities, such as New York City, already have overburdened wastewater treatment systems, resulting in debris floating up on local beaches. Requiring dishwashers for in-house dining would simply further strain the systems.

While the papermaking process requires a great deal of water, paper manufacturing facilities are usually located in areas where water is plentiful. Water used to make paper is carefully treated before it is put back into the rivers and streams. An industry goal is to return water to rivers and streams more pristine than its original condition.

The manufacture of plastic products, including plastic foam, requires very little water.

Other Environmental Impacts

Many restaurants that use disposables, especially quick service operations, may have inadequate space for a dishwasher necessary for their traffic. If legislation or consumer pressure require that reusables be used, these foodservice operations would have to undertake reconstruction to accommodate a high efficiency dishwasher and other supporting equipment, such as heated dish carts, racks, and bussing boxes. Extra space has an environmental cost: energy needed to heat, cool and ventilate the space, as well as the usage of land that might be put to more socially beneficial use.■

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